

CITY OF FLORENCE, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2014

Prepared by:
Linda J. Chapman
Finance Director

CITY OF FLORENCE, KENTUCKY
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INTRODUCTORY SECTION

OFFICE OF THE CITY COORDINATOR

September 19, 2014

To the Mayor, City Council and Citizens of the City of Florence, Kentucky:

State law requires that all general-purpose local governments publish within seven months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Florence for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the City of Florence. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Florence has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Florence's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Florence's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Florence's financial statements have been audited by Rankin, Rankin and Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Florence for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Florence's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and

Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Florence's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Florence, founded in 1830, is located in the northern most part of the state, situated in Boone County and is part of the Northern Kentucky Region, which ranks as one of the top growth areas in Kentucky. The City of Florence currently occupies a land area of 10.4 square miles and serves an estimated population of 31,088. The City of Florence is empowered to levy numerous sources of revenue including its major sources payroll tax, business license tax, insurance premiums tax and a property tax on both real and personal properties. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City of Florence operates under the Mayor/Council form of government. Legislative authority is vested in the City Council, consisting of six City Council members. The Mayor is the executive authority. The City Council is responsible, among other things for passing ordinances, adopting the budget and appointing members to various boards. The Mayor approves the hiring of all full time employees. The City Coordinator reports directly to the Mayor and is responsible for carrying out policies and ordinances of the City Council and is responsible for the development of short and long range planning, capital improvement programs and running the day-to-day operations of the city. The City Council is elected on a non-partisan basis. The Mayor serves based upon a 4 year term and the City Council serve based upon a 2 year term. The next election for the Office of Mayor will be held in 2014 with the Mayor to take office January 1, 2015. The next election for City Council will be held in 2014 with the Council to take office on January 1, 2015.

The City of Florence provides a full range of services, full time professional police force and full time professional fire protection; advanced life support medic services; street maintenance and improvement; water and sewer services; storm water collection; a full range of recreational facilities and activities; cultural events; planning and zoning and code enforcement.

The annual budget serves as the foundation for the City of Florence's financial planning and control. All departments of the City of Florence are required to submit requests for appropriation to the City Coordinator. The City Coordinator uses these requests as the starting point for developing a proposed budget. The City Coordinator then presents this proposed budget to the Mayor for review. The Mayor and City Coordinator then present the budget to the City Council for review. Then, City Council budget work sessions are held on the proposed budget. The final budget is adopted by July 1. The appropriated budget is prepared by fund and department (e.g., police). Expenditures may not legally exceed budgeted appropriations at the departmental level. Any revisions to the budget that would alter total revenues and department expenditures of any fund must be approved by the City Council.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which

the City of Florence operates.

Local economy. Florence's location is a major factor in allowing it to become an economic force in the Greater Cincinnati/Northern Kentucky region. Also, the consistent and persistent effort put forth by Florence's elected and appointed officials and other community leaders over the past twenty years has positioned the City very well.

The focus on financial management and economic development has established the City as a center of commerce in the Greater Cincinnati and northern Kentucky region. Private investment and job growth continue in the city. Continuing efforts are paying dividends, and the City is experiencing successes from large to small, all of which are very important to our community.

For example, this past year, Northern Kentucky University's Center for Economic Analysis and Development released a study about commuter-adjusted populations in the Greater Cincinnati region. The commuter-adjusted population is the expansion or contraction of the worker population throughout a typical workday.

Among all communities in northern Kentucky, Florence had the strongest net-inflow of workers, with our employment to residence ratio of 1.51 to 1. Boone County has the strongest employment to resident ratio among northern Kentucky counties at 1.21 to 1, which is behind only Hamilton County in the tri-state region. Kenton County's ratio is 0.84 to 1, and Campbell County's ratio is 0.68 to 1.

Areas that have an employment to resident ratio of greater than 1.00 are where there are more jobs than the number of working residents; therefore, the city imports part of its labor and classifies us as a "job hub."

When we analyze the commercial real estate market in Florence, we shape up rather well in the region. Leasing and purchasing activity in the retail, industrial, and office sectors have been very active. On the retail side, our vacancy rate in the city is below 4%, which is one of the best performers in the region, where the regional retail vacancy is 8.4%. The industrial vacancy rate is under 2%, while the overall vacancy rate in the region is 6.7%. And, the professional office vacancy rate in Florence is 12%, with the region's rate at 20.6%. Overall, we fair better than most communities in the region. These are positive signs of the strength of our economy in Florence, but it does suggest, particularly on the industrial front, that future growth could be constrained without available industrial real estate coming onto the market.

All of these factors are very strong and positive indicator of Florence's overall economy. It is truly the perfect time to do business in the City of Florence.

There were several state transportation projects that were completed during the year that are all of great benefit to the residents, visitors and businesses of the City. In addition, the City is moving forward with additional enhancements to Mall Road. The City is proposing and working with the State to construct a frontage road that will link up with Connector Drive. A new entrance ramp from mall Road to southbound I-75 is in the Kentucky Transportation Cabinet's six-year road plan proposed by the Governor and adopted by the legislature.

The City has also completed numerous sidewalk, street improvements, storm water, sanitary sewer and water improvements throughout areas of the City. In addition, the City has finished the construction of a new Fire Substation on Woodspoint Drive.

Long-term financial planning. The city has implemented a three-year budget plan. The three-year budget plan serves as a basis for a rolling three-year strategic plan for the City. This plan will carry out the City's vision as adopted by the City Council. Long-term future sustainability is the primary focus of the budget plan.

The City is continuing to explore the possibility of developing new parks and adding amenities to existing parks. After the completion of the projects mentioned in the paragraphs above, there are no large construction projects planned.

Relevant Financial Policies

The City of Florence has adopted a comprehensive set of financial policies addressing various areas of operations such as revenue collection, banking services, investment policies, debt management, budget management and fund balance reserves.

The unassigned fund balance in the general fund is 130.47% of total general fund revenues and falls within policy guidelines. The City strives to maintain at least 25 percent of total general fund revenues so as to reduce amounts that may need to be borrowed in the future.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Florence for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable program requirements.

A Certificate of Achievement is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the departments of Finance and Administration. Each member of both departments has my sincere appreciation for the contribution made in the preparation of this report. Credit must also be given to the Mayor and Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Florence's finances.

Respectfully submitted,



Richard J. Lunnemann
City Coordinator

CITY OF FLORENCE, KENTUCKY

LIST OF PRINCIPAL OFFICIALS

June 30, 2014

Mayor

Diane E. Whalen

Council Members

Larry Brown

Mel D. Carroll

Jason Kelly Huff

Julie A. Metzger-Aubuchon

David A. Osborne

Gary Winn

Staff

City Coordinator - Richard J. Lunnemann

City Clerk - Joe A. Christofield

Finance Director - Linda J. Chapman

City Attorney - Hugh O. Skees

City Engineer - William R. Viox

Director of Public Services - Robert E. Hall

Chief of Police - John V. McDermond

Fire/E.M.S. Chief - Marc A. Muench



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

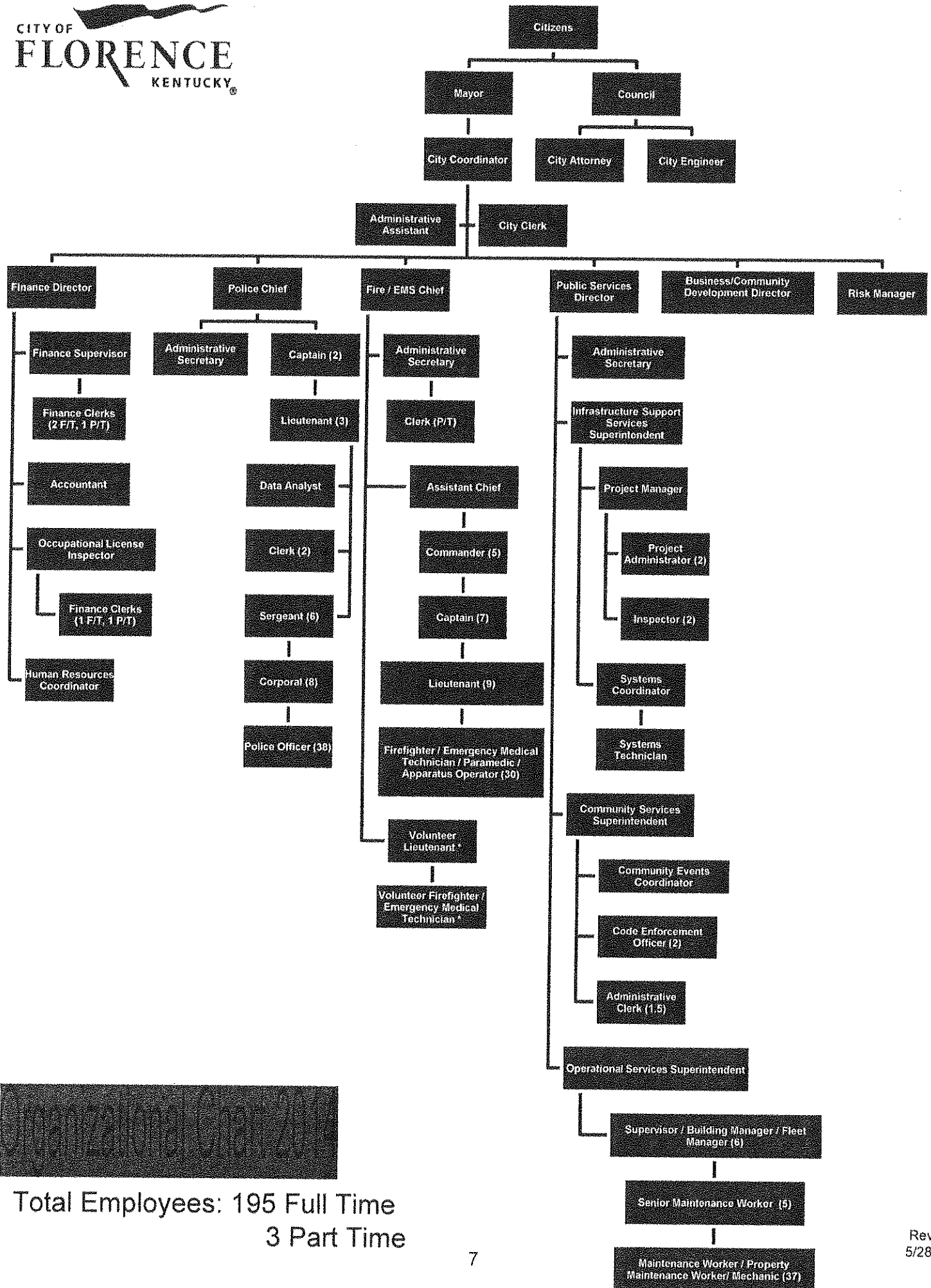
Presented to

**City of Florence
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



Total Employees: 195 Full Time
3 Part Time

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Diane E. Whalen, Mayor
Members of City Council
City of Florence, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Florence, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, Kentucky, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

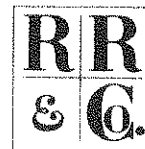
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13 and 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Kentucky's basic financial statements. The introductory section, combining and individual budget and actual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual budget and actual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual budget and actual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, on our consideration of the City of Florence, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering City of Florence, Kentucky's internal control over financial reporting and compliance.

RANKIN, RANKIN & COMPANY

A handwritten signature in cursive script that reads "Rankin, Rankin & Company".

**Ft. Wright, Kentucky
September 12, 2014**

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Florence, we offer readers of the city's financial statements this narrative overview and analysis of the financial activities of the City of Florence, Kentucky for the year ended June 30, 2014. We encourage readers to consider the information in conjunction with the letter of transmittal, which can be found on pages 1-4 in this report.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent year by \$168,298,055 (net position). Of this amount, \$79,645,053 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$57,413,132. This was an increase of \$6,760,235 comparison to the prior year. The increase was mainly the result of the City's general operating fund.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$42,361,680, or 147.89% of total general fund expenditures, transfers and other expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements encompass three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. These two statements report the City's net assets and changes in them.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference being reported as net position. Over time, the increases and decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Other nonfinancial factors such as changes in the City's property tax base and the condition of the City's infrastructure will also assist in assessing the overall financial health of the City.

The statement of activities presents how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing of cash flows. As a result, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods (e.g., uncollected revenue and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, license fees and intergovernmental activities which are considered governmental activities, from those functions that are intended to cover all or a significant portion of their costs through user fees and charges which are considered business-type activities. The governmental activities include most of the City's basic services. These include but are not limited to police, fire, street maintenance, parks and recreation, and general administration. The business-type activities include the City's water and sewer service operations and the golf course operations.

The government-wide financial statements include not only the City of Florence itself (known as the primary government), but also the City of Florence Municipal Properties Corporation for which the City is financially accountable.

The government-wide financial statements can be found on pages 24 and 25 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. Some funds are required to be established by State law. However, the City Council establishes many other funds with specific sources of revenue to help it control and manage money for particular purposes (i.e., Infrastructure Fund and Aquatic Center Fund) or to show that it is meeting legal responsibilities for grant and restricted funds (i.e., Municipal Aid Fund and Asset Forfeiture Fund). All funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Florence maintains four individual governmental funds. Information is presented separately in the governmental balance sheet and in the statement of revenues, expenditures and changes in fund balances for the general fund which is considered to be a major fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental financial statements can be found on pages 26-28 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer service operations and the golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its health and dental costs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the water and sewer service and the golf course operations, both of which are considered major funds of the City of Florence. Since there is only one internal service fund, separate information is provided.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 33-51 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The budgetary comparison schedules and combining statements and schedules can be found on pages 53-60 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Florence, assets and deferred outflows of resources exceeded liabilities by \$168,298,055 at the close of the most recent year.

The largest portion of the City's net position (52.53 percent) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt to

finance those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the funds needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the years ended June 30, 2014 and 2013 net position changed as follows (amounts in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 72,826	\$ 64,975	\$ 9,553	\$ 8,799	\$ 82,379	\$ 73,774
Capital assets, net	81,327	80,511	30,133	30,519	111,460	111,030
Total assets	<u>154,153</u>	<u>145,486</u>	<u>39,686</u>	<u>39,318</u>	<u>193,839</u>	<u>184,804</u>
Total deferred outflows of resources	488	518	359	434	847	952
Other liabilities	2,962	2,828	1,529	1,459	4,491	4,287
Long-term liabilities	19,140	20,134	2,757	3,301	21,897	23,435
Total liabilities	<u>22,102</u>	<u>22,962</u>	<u>4,286</u>	<u>4,760</u>	<u>26,388</u>	<u>27,722</u>
Net position:						
Invested in capital assets, net of debt	61,572	59,736	26,833	26,694	88,405	86,430
Restricted	-	-	248	248	248	248
Unrestricted	70,967	63,305	8,678	8,050	79,645	71,355
Total net position	<u>\$ 132,539</u>	<u>\$ 123,041</u>	<u>\$ 35,759</u>	<u>\$ 34,992</u>	<u>\$ 168,298</u>	<u>\$ 158,033</u>

An additional portion of the City's net position (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$79,645,053) may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Net position of the City increased 6.49% or \$10.3 million during the current fiscal year. The increase was mainly attributed to the growth in the revenue line items outpacing the growth in operating and contractual expenses.

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Revenues:				
Program revenues:				
Charges for services	\$ 4,403,931	\$ 4,584,681	\$ 9,692,474	\$ 9,567,303
Operating grants and contributions	688,046	2,131,843	-	-
Capital grants	1,113,782	733,782	-	-
General revenues:				
Taxes	29,246,154	28,908,602	-	-
Other	848,395	544,333	23,111	22,544
Total revenues	<u>36,300,308</u>	<u>36,903,241</u>	<u>9,715,585</u>	<u>9,589,847</u>
Expenses:				
Administration	3,417,382	4,034,351	-	-
Police	7,147,127	7,303,391	-	-
Fire	6,041,934	6,135,505	-	-
Public services	9,387,336	8,316,012	-	-
Interest on long-term debt	709,212	755,071	199,149	198,661
Loss on disposal of assets	-	-	-	-
Water and sewer services	-	-	7,601,387	7,493,012
Golf Course	-	-	1,248,740	1,191,661
Total expenses	<u>26,702,991</u>	<u>26,544,330</u>	<u>9,049,276</u>	<u>8,883,334</u>
Increase in net position before transfers and other expenses	9,597,317	10,358,911	666,309	706,513
Transfers	<u>(100,000)</u>	<u>(100,000)</u>	<u>100,000</u>	<u>100,000</u>
Increase in net position	9,497,317	10,258,911	766,309	806,513
Net position - July 1	<u>123,041,822</u>	<u>112,782,911</u>	<u>34,992,607</u>	<u>34,186,094</u>
Net position - June 30	<u>\$ 132,539,139</u>	<u>\$ 123,041,822</u>	<u>\$ 35,758,916</u>	<u>\$ 34,992,607</u>

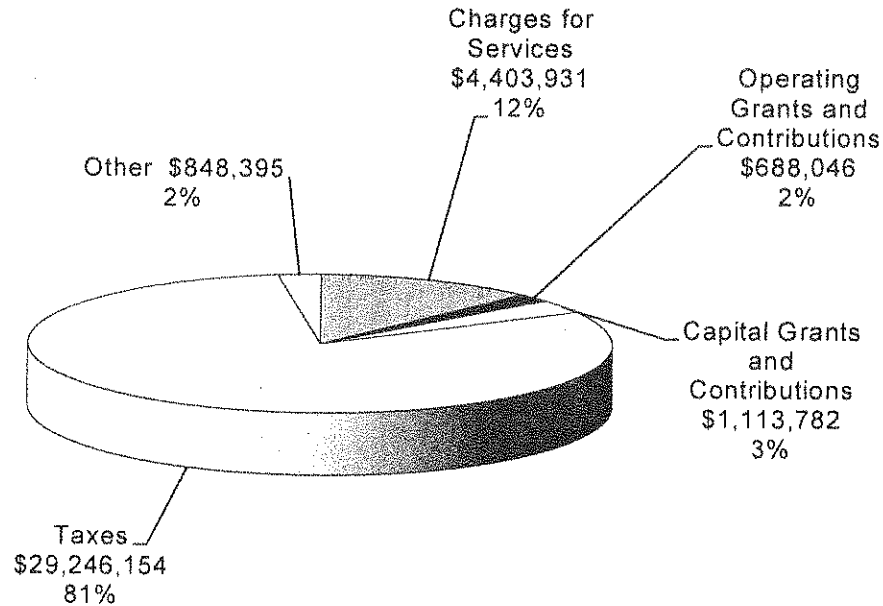
Governmental activities. Governmental activities increased the City's net position by \$9.5 million, thereby accounting for 92.53% of the total growth in net position. Key elements of this growth are as follows:

- Taxes increased slightly over fiscal year 2013. The payroll tax position increased by \$237,000 during 2014 as a result of slightly improved economic conditions and economic development. However, in 2014, the sales growth rebound leveled off and occupational license fees decreased by \$124,882. Another revenue increasing as a result of the improved economic conditions was the insurance premium tax. It increased by \$176,274. The City's property tax revenues increased slightly due to collections. The property tax revenue

increased by \$113,363 despite relatively no increases in the assessed values and not raising of the tax rate for the fifth straight year in a row. Capital grant revenue increased by \$380,000 as a result of the grants for various road and sidewalk projects. However, operating grant revenue decreased by \$1,443,797.

- There was a slight increase of \$158,661 for governmental activities due to the increase in wages and benefit costs.

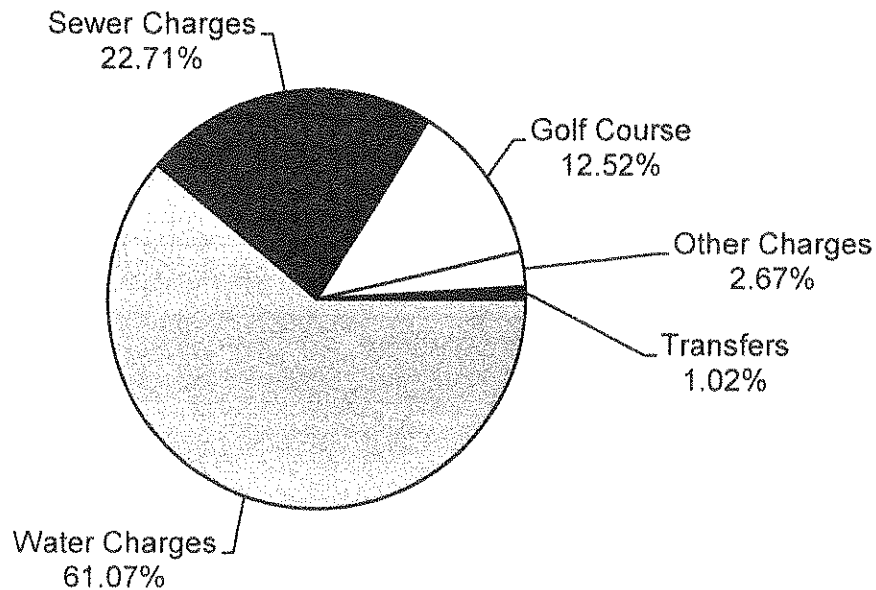
Revenues by Source - Governmental Type Activities



Business-type activities. Business-type activities increased the City's net position by \$766,309, accounting for 7.47 percent of the total growth in the government's net position. Key elements of this increase are as follows:

- In reviewing the net (expense)/revenue, the water and sewer sales and service function showed net income for the year of \$792,363. The income was attributable to operations due to a four percent increase in rates implemented on April 1, 2013. In addition, expenses increased by \$110,347 higher wage and benefit costs along with an increase in water purchasing costs.
- The golf course fund showed a net loss for the year of \$26,054 as a result of operations. The loss was the result of an increase in revenues of \$20,421 being offset by an increase in operating expenses of \$57,079 due to yearly cost increases and an aging facility. In addition, an operating transfer was made during the year as a result of the ongoing debt service commitments.

Revenues by Source - Business Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the City's government funds reported combined ending fund balances of \$57,413,132, an increase of \$6,760,235 in comparison with the prior year. Approximately 79.46 percent of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is classified as nonspendable, committed to or assigned to indicate that it is not available for new spending because of constraints that have been placed on the use of these resources for specific purposes either internally or externally.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$42,361,680 while total fund balance was \$49,834,282. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 147.88 percent of total general fund expenditures and transfers, while total fund balance represents 173.97 percent of that same amount.

The fund balance of the City's general fund increased by \$3,824,840 during the current fiscal year. Key factors in this growth are as follows:

- Cost cutting measures enacted to offset consistent revenues. Several full-time personnel positions have continued to not be filled.
- Payroll taxes, property taxes and insurance premium tax made a recovery and produced results stronger than originally anticipated
- The City enacted payroll and insurance premium tax increases on July 1, 2007 that were part of a long-range plan. This enactment has continued to enable the City to build reserves.
- Operating expenditures are continuing to increase as a result of higher wages, benefit costs and additional personnel in the fire department.

The municipal aid road/LGEA fund has a total fund balance of \$967,268, all of which is restricted for street improvements and snow removal expenditures. The net increase in fund balance during the year was the result of a decrease in the dollar amount of street projects budgeted for the current year. The asset forfeiture fund had an increase in fund balance of \$67,360 as a result of the amount of seized forfeitures received during the year. The aquatic center fund had a fund balance decrease of \$179,112 as a result of a cool and rainy May and June that affected attendance.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer service fund at the end of the year amounted to \$7,654,706 and those for the golf course operations amounted to \$1,023,058. The growth in net position for the water and sewer fund was \$792,363 and the net loss in the golf course fund was \$26,054. Other factors concerning these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the general fund budget two times. The budget amendments were to adjust the beginning fund balance to actual and to increase/decrease revenues and expenditures to more closely reflect the anticipated actual revenues and expenditures for the year based on prior year results and current year developments.

In particular, during the first amendment, capital line items were adjusted to include additional carryover amounts from the 2013 budget for projects that were started but not completed by June 30, 2013. In addition, there were also amounts added to several expenditure line items for unanticipated repairs and maintenance items that that were encountered for the Aquatic Center and the Government Center building. The City was also in the midst of an agreement to provide infrastructure funding to aid the development of a parcel of land for future development that required an additional expenditure amount. All beginning fund balance amounts were adjusted to reflect the ending balances from the prior June 30 per the audit report.

The second amendment basically adjusted some of the General Fund revenues to more closely reflect anticipated revised projections and the addition of recently awarded grant amounts. In addition, the amendment adjusted expenditure line items

that were affected by the unusual amounts of snowfall, the additional costs of six firefighters hired under the SAFER grant and the addition of some unexpected capital expenditures related to grants. Original health and dental claims expenses needed to be increased as well for an increase in administrative fees and the costs for the newly opened clinic. The Golf Course Fund revenues and expenses were adjusted to reflect expected results for the fiscal year.

All of the general fund department's actual results came in under the final budgeted amounts. All departments were under budget in the salaries, pension costs and health insurance line items. Travel and training, community relations and supply reductions in each department also contributed to lower than budgeted amounts. Motor fuel costs were exceeded in all of the departments due to the increase in the costs. The overall philosophy implemented in previous years to only make necessary purchases continues to contributed to lower expenditures throughout the City departments.

The current year budget relied on the expectation of relatively flat property tax revenue and slight increases for payroll tax, occupational license fees and insurance premium tax revenues. The actual results showed a slight decline in occupational license fees. However, the property tax, insurance premium tax and the payroll tax resulted in higher than anticipated amounts. Final actual revenue categories exceeded final budgeted revenue amounts by \$1,489,933. This was due to the growth in the revenue for the property tax, payroll tax, intergovernmental revenues and insurance premium tax. Actual expenditures and transfers came in \$2,531,204 under the budget amounts due to the departments monitoring expenditures during the year and some capital projects not being completed by June 30. As a result of the excess revenues, operational expenditure controls and capital improvements not being completed, the City ended the year with a fund balance that was \$4,021,137 greater than what was budgeted.

DEBT AND CAPITAL ASSET ADMINISTRATION

Long-term Debt

At year-end, the City had \$23,055,000 in outstanding bonds compared to \$24,600,000 last year. That is a decrease of \$1,545,000 or 6.28 percent as shown in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Bonds payable						
Obligations						
(backed by						
fee revenues) \$	-	\$ -	\$ 2,230,000	\$ 2,430,000	\$ 2,230,000	\$ 2,430,000
Bonds payable						
(backed by city)	19,755,000	20,775,000	1,070,000	1,395,000	20,825,000	22,170,000
Totals	\$ 19,755,000	\$ 20,775,000	\$ 3,300,000	\$ 3,825,000	\$ 23,055,000	\$ 24,600,000

Additional information on the City's long-term debt can be found in Note E on pages 43-48 of this report.

Capital Assets

At June 30, 2014, the capital assets amounted to \$226 million invested in capital assets which include land, water and sewer systems, equipment, vehicles, buildings, park facilities, roads and sidewalks. This represents a net increase of \$5.2 million, or 2.35 percent, over last year due to the investment in street projects, storm water projects, a new fire substation and water and sewer infrastructure improvements. The increase can also be attributed to the replacement of vehicles and equipment during the fiscal year.

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Not being depreciated:				
Land	\$ 10,602,492	\$ 10,602,492	\$ 4,785,542	\$ 4,785,542
Construction in progress	459,386	510,885	-	-
Other capital assets being depreciated:				
Improvements	17,852,446	17,150,450	581,199	581,199
Water and sewer system Infrastructure	106,427,579	105,922,804	43,355,488	42,133,077
Buildings	23,338,855	20,430,757	-	-
Computer upgrade	-	-	4,200,497	4,200,497
Water meters	-	-	56,396	56,396
Machinery and equipment	4,198,234	4,074,306	1,604,669	1,585,440
Vehicles	6,144,039	6,332,325	1,907,465	1,890,644
Subtotal	<u>169,023,031</u>	<u>165,024,019</u>	<u>966,519</u>	<u>995,412</u>
Accumulated depreciation	(87,696,181)	(84,512,519)	(27,324,168)	(25,709,168)
TOTALS	<u>\$ 81,326,850</u>	<u>\$ 80,511,500</u>	<u>\$ 30,133,607</u>	<u>\$ 30,519,039</u>

This year's major additions included:

Business-type activities:

Water and sewer system improvements paid for with system revenues \$ 1,285,745

Governmental-type activities:

The purchase of equipment and vehicles with general fund revenues. 5,467,879

Improvements and street projects paid for with state and federal grant funds
and general fund revenues. 340,479
\$ 7,094,103

Additional information on the City's capital assets can be found in Note D on pages 42-43 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The upcoming budget brings with it a continuing conservative approach for the revenue amounts. The City of Florence has experienced some economic growth during the last two years and seems to have had a slight recovery in the areas of payroll tax and insurance premium taxes during the current fiscal year. The City has been successful in dealing with budget realities in a positive manner to remain financially sound. The budget for the 2015 fiscal year calls for core revenues remaining consistent with actual results for fiscal year 2014. It is anticipated that property tax revenue will remain constant with the level experienced during the prior fiscal year and that Council will not adopt a property tax increase for the fifth year in a row. The City expects slight growth in the remainder of the core revenue line items. The City has taken an extremely conservative approach to our expenditures to be able to continually provide the highest level of service for the residents. The City will once again reinforce the philosophy about only purchasing that which is deemed to be a necessity. The anticipated slow growth in the community is expected to continue until the economic situation turns around over the next couple of years. The rising cost of all types of insurance, including liability, workers compensation, and health and dental continues to be an annual struggle. In addition, health care reform costs, state mandated retirement contributions and rising motor fuel and utility costs are continuing to increase the annual growth of the City's expenditures. The City is constantly looking for ways to operate the departments more efficiently and effectively. In addition, some changes have been made to the employee benefits to assist in curtailing personnel cost increases in the future.

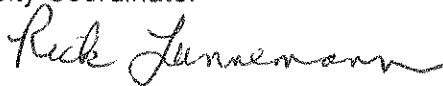
Funds have been identified in the budget for the partial construction of infrastructure on a 65 acre site designated for retail development. This site will host a Menard's, Costco and several other retail and dining establishments.

The City continues to implement its annual plan to upgrade the City's infrastructure. Contractors were hired and are replacing certain sidewalks and curbs and are repaving City streets. The City has continuing plans to upgrade the water and sewer system as well as the storm water infrastructure during the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administrative Office or the Department of Finance at 8100 Ewing Boulevard, Florence, Kentucky.

Richard J. Lunnemann
City Coordinator



Linda J. Chapman CPA
Finance Director



CITY OF FLORENCE, KENTUCKY

Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 50,057,216	\$ 6,823,893	\$ 56,881,109
Investments	16,401,782	-	16,401,782
Receivables:			
Property taxes	102,917	-	102,917
Intergovernmental	419,067	-	419,067
Accrued interest	89,181	-	89,181
Accounts	5,189,308	1,650,066	6,839,374
Internal balances	21,307	(21,307)	-
Inventories	156,243	230,149	386,392
Prepays	387,636	54,673	442,309
Restricted cash and cash equivalents	1,926	794,250	796,176
Capital assets(net of accumulated depreciation)			
Land	10,602,492	4,785,542	15,388,034
Construction in progress	459,386	-	459,386
Systems	-	20,631,404	20,631,404
Improvements	10,529,204	259,638	10,788,842
Infrastructure	42,475,100	-	42,475,100
Buildings	14,799,704	3,449,275	18,248,979
Machinery and equipment	1,309,801	-	1,309,801
Water meters	-	858,477	858,477
Vehicles	1,151,163	148,317	1,299,480
Total assets	<u>154,153,433</u>	<u>39,664,377</u>	<u>193,817,810</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	488,123	359,525	847,648
Total deferred outflows of resources	<u>488,123</u>	<u>359,525</u>	<u>847,648</u>
LIABILITIES			
Accounts payable	725,373	408,963	1,134,336
Accrued liabilities	316,233	159,309	475,542
Accrued interest payable	110,564	32,444	143,008
Unearned revenue	45,001	-	45,001
Customer deposits	-	261,776	261,776
General obligation bonds payable - current	965,000	340,000	1,305,000
Revenue bonds payable - current	-	210,000	210,000
Compensated absences - current	800,000	95,000	895,000
Compensated absences	350,246	7,494	357,740
General obligation bonds payable	18,790,000	730,000	19,520,000
Revenue bonds payable	-	2,020,000	2,020,000
Total liabilities	<u>22,102,417</u>	<u>4,264,986</u>	<u>26,367,403</u>
NET POSITION			
Invested in capital assets, net of related debt	61,571,850	26,832,653	88,404,503
Restricted for debt service	-	248,499	248,499
Unrestricted	70,967,289	8,677,764	79,645,053
Total net position	<u>\$ 132,539,139</u>	<u>\$ 35,758,916</u>	<u>\$ 168,298,055</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Administration	\$ 3,417,382	\$ 789,733	\$ 39,896	\$ -	\$ (2,587,753)	\$ -	\$ (2,587,753)
Police	7,147,127	22,026	268,714	37,914	(6,818,473)	-	(6,818,473)
Fire	6,041,934	2,540,527	364,247	-	(3,137,160)	-	(3,137,160)
Public services	9,387,336	1,051,645	15,189	1,075,868	(7,244,634)	-	(7,244,634)
Interest on long-term debt	709,212	-	-	-	(709,212)	-	(709,212)
Total governmental activities	26,702,991	4,403,931	688,046	1,113,782	(20,497,232)	-	(20,497,232)
Business-type activities:							
Water and sewer service	7,694,017	8,466,265	-	-	-	772,248	772,248
Golf course	1,355,259	1,226,209	-	-	-	(129,050)	(129,050)
Total business-type activities	9,049,276	9,692,474	-	-	-	643,198	643,198
Total primary government	\$ 35,752,267	\$ 14,096,405	\$ 688,046	\$ 1,113,782	(20,497,232)	643,198	(19,854,034)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					6,981,556	-	6,981,556
Public service taxes					562,203	-	562,203
Taxes, levied for bank deposits					209,289	-	209,289
Payroll license tax					15,119,231	-	15,119,231
Gross receipts license					2,098,956	-	2,098,956
Insurance premium tax					4,274,919	-	4,274,919
Other					89,153	-	89,153
Uses of property					98,394	-	98,394
Interest					540,167	23,111	563,278
Miscellaneous					120,681	-	120,681
Transfers					(100,000)	100,000	-
Total general revenues and special items					29,994,549	123,111	30,117,660
Change in net position					9,497,317	766,309	10,263,626
Net position-beginning					123,041,822	34,992,607	158,034,429
Net position-ending				\$	132,539,139	\$ 35,758,916	\$ 168,298,055

The notes to the financial statements are an integral part of this statement.

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 28,262,468	\$ 7,406,978	\$ 35,669,446
Investments	16,401,782	-	16,401,782
Inventories	84,966	71,277	156,243
Receivables:			
Property taxes	102,917	-	102,917
Intergovernmental	303,084	115,983	419,067
Accrued interest	89,181	-	89,181
Accounts	5,170,243	19,065	5,189,308
Prepays	387,636	-	387,636
Due from other funds	(1,204)	22,991	21,787
Restricted assets:			
Cash	1,926	-	1,926
Total assets	\$ 50,802,999	\$ 7,636,294	\$ 58,439,293
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 504,566	\$ 57,444	\$ 562,010
Accrued liabilities	316,233	-	316,233
Deferred revenue	45,001	-	45,001
Total liabilities	865,800	57,444	923,244
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	102,917	-	102,917
Total deferred inflows of resources	102,917	-	102,917
Fund balances:			
Nonspendable:			
Inventories	84,966	71,277	156,243
Prepays	387,636	-	387,636
Restricted:			
Street resurfacing	-	895,991	895,991
Committed to:			
Economic stabilization	5,000,000	-	5,000,000
Equipment replacement	2,000,000	-	2,000,000
Assigned to:			
Capital projects	-	1,500,000	1,500,000
Law enforcement	-	410,230	410,230
Aquatic center	-	1,444,521	1,444,521
Unassigned:	42,361,680	3,256,831	45,618,511
Total fund balances	49,834,282	7,578,850	57,413,132
Total liabilities and fund balances	\$ 50,802,999	\$ 7,636,294	\$ 58,439,293
Total governmental fund balances			\$ 57,413,132
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation \$87,696,181			81,326,850
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			102,917
An internal service fund is used by management to charge certain costs such as health and dental insurance to certain funds. The assets and liabilities of the internal service fund must be added to the statement of net assets.			14,223,927
Accrued interest payable on long-term debt			(110,564)
Costs of issuance of debt, premiums and discounts are currently expensed for governmental funds and are carried as deferred charges in the statement of net assets.			488,123
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds:			
Accrued absences payable			(1,150,246)
Bonds and leases payable			(19,755,000)
Net position of governmental activities			\$ 132,539,139

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 7,884,360	\$ -	\$ 7,884,360
Licenses and permits	19,292,358	2,289,901	21,582,259
Intergovernmental	1,030,027	771,801	1,801,828
Fines and forfeitures	197,803	-	197,803
Charges for services	3,452,188	753,940	4,206,128
Uses of property	-	98,394	98,394
Interest	492,161	17,374	509,535
Miscellaneous	120,386	295	120,681
Total revenues	<u>32,469,283</u>	<u>3,931,705</u>	<u>36,400,988</u>
EXPENDITURES			
Current:			
Administration	2,402,107	-	2,402,107
Police	7,437,084	32,166	7,469,250
Fire	6,188,391	-	6,188,391
Public services	8,981,787	2,789,144	11,770,931
Debt service:			
Principal	1,020,000	-	1,020,000
Interest	690,074	-	690,074
Total expenditures	<u>26,719,443</u>	<u>2,821,310</u>	<u>29,540,753</u>
Excess(deficiency) of revenues over(under) expenditures	<u>5,749,840</u>	<u>1,110,395</u>	<u>6,860,235</u>
OTHER FINANCING SOURCES(USES)			
Transfers in	-	1,825,000	1,825,000
Transfers out	(1,925,000)	-	(1,925,000)
Total other financing sources and uses	<u>(1,925,000)</u>	<u>1,825,000</u>	<u>(100,000)</u>
Net change in fund balances	<u>3,824,840</u>	<u>2,935,395</u>	<u>6,760,235</u>
Fund balances - beginning	<u>46,009,442</u>	<u>4,643,455</u>	<u>50,652,897</u>
Fund balances - ending	<u>\$ 49,834,282</u>	<u>\$ 7,578,850</u>	<u>\$ 57,413,132</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Net change in fund balances-total governmental funds	\$ 6,760,235
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital asset purchases capitalized	5,808,358
Depreciation expense	(4,849,587)
Change due to fixed asset retirements	(18,196)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in the amount through the year.	(20,092)
Government funds report the effect of issuance cost, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(30,309)
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,020,000
Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in the governmental funds. This is the change in the amount of interest accrued through the year.	(11,171)
An internal service fund is used by management to charge the costs of certain activities, such as health and dental insurance to individual funds. The net revenues(expenses) of the internal service fund is reported with governmental activities.	867,202
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds such as compensated absences.	(29,123)
Change in net position of governmental activities	\$ 9,497,317

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2013

	Business-type Activities-Enterprise Funds			Governmental Activities
	Water and Sewer Service	Golf Course	Total Current Year	Health and Dental
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,897,594	\$ 926,299	\$ 6,823,893	\$ 14,387,770
Accounts receivable	1,649,066	1,000	1,650,066	-
Inventories	156,029	74,120	230,149	-
Prepays	48,429	6,244	54,673	-
Total current assets	7,751,118	1,007,663	8,758,781	14,387,770
Noncurrent assets:				
Restricted cash and cash equivalents	794,250	-	794,250	-
Capital assets (net of accumulated depreciation)				
Land	-	4,785,542	4,785,542	-
Improvements	-	259,638	259,638	-
Systems and equipment	20,286,921	344,483	20,631,404	-
Water meters	858,477	-	858,477	-
Building	4,763	3,444,512	3,449,275	-
Vehicles	148,317	-	148,317	-
Total noncurrent assets	22,092,728	8,834,175	30,926,903	-
Total assets	29,843,846	9,841,838	39,685,684	14,387,770
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	228,744	130,781	359,525	-
Total deferred outflows of resources	228,744	130,781	359,525	-
LIABILITIES				
Current liabilities:				
Accounts payable	379,092	29,871	408,963	163,363
Accrued liabilities	85,497	73,812	159,309	-
Compensated absences	95,000	-	95,000	-
Accrued interest payable	20,741	11,703	32,444	-
Due to other funds	21,307	-	21,307	480
Customer deposits	261,776	-	261,776	-
Bonds payable-current	210,000	340,000	550,000	-
Total current liabilities	1,073,413	455,386	1,528,799	163,843
Noncurrent liabilities:				
Compensated absences	7,494	-	7,494	-
General obligation bonds payable	-	730,000	730,000	-
Revenue bonds payable	2,020,000	-	2,020,000	-
Total noncurrent liabilities	2,027,494	730,000	2,757,494	-
Total liabilities	3,100,907	1,185,386	4,286,293	163,843
NET POSITION				
Invested in capital, net of related debt	19,068,478	7,764,175	26,832,653	-
Restricted for:				
Debt service	248,499	-	248,499	-
Unrestricted	7,654,706	1,023,058	8,677,764	14,223,927
Total net position	\$ 26,971,683	\$ 8,787,233	\$ 35,758,916	\$ 14,223,927

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2014

	Business-type Activities-Enterprise Funds			Governmental Activities
	Water and Sewer Service	Golf Course	Totals Current Year	Health and Dental
OPERATING REVENUES				
Charges for sales and services:				
Water fees	\$ 5,980,608	\$ -	\$ 5,980,608	\$ -
Sewer charges	2,223,999	-	2,223,999	-
Penalties	118,989	-	118,989	-
Tap in fees	41,517	-	41,517	-
Meter installations	24,982	-	24,982	-
Other service charges	51,620	-	51,620	-
Golf course revenues	-	1,226,209	1,226,209	-
Other services	-	-	-	2,684,849
Miscellaneous	24,550	-	24,550	-
Total operating revenues	8,466,265	1,226,209	9,692,474	2,684,849
OPERATING EXPENSES				
Cost of sales and services	6,238,999	924,525	7,163,524	1,817,647
Loss on disposal of property	12,241	-	12,241	-
Depreciation	1,350,147	324,215	1,674,362	-
Total operating expenses	7,601,387	1,248,740	8,850,127	1,817,647
NET OPERATING INCOME(LOSS)	864,878	(22,531)	842,347	867,202
NON-OPERATING REVENUES				
Interest income	20,115	2,996	23,111	30,632
Interest expense	(92,630)	(106,519)	(199,149)	-
Total non-operating income	(72,515)	(103,523)	(176,038)	30,632
Transfers	-	100,000	100,000	-
NET INCOME	792,363	(26,054)	766,309	897,834
NET POSITION-BEGINNING OF YEAR	26,179,320	8,813,287	34,992,607	13,326,093
NET POSITION-END OF YEAR	\$ 26,971,683	\$ 8,787,233	\$ 35,758,916	\$ 14,223,927

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Business-type Activities-Enterprise Funds			Governmental Activities
	Water and Sewer Service	Golf Course	Totals Current Year	Health and Dental
Cash flows from operating activities:				
Cash received from customers	\$ 8,335,923	\$ 1,229,209	\$ 9,565,132	\$ 2,684,849
Cash paid to suppliers	(4,060,733)	(587,336)	(4,648,069)	(1,683,917)
Cash paid to employees	(2,262,714)	(356,253)	(2,618,967)	-
Net cash from(used by) operating activities	<u>2,012,476</u>	<u>285,620</u>	<u>2,298,096</u>	<u>1,000,932</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	100,000	100,000	-
Net cash from(used by) noncapital financing activities	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,292,577)	(16,821)	(1,309,398)	-
Amortization of issuance costs	25,896	49,044	74,940	-
Interest paid on capital debt	(64,586)	(110,074)	(174,660)	-
Principal paid on debt	(200,000)	(325,000)	(525,000)	-
Net cash from(used by) financing activities	<u>(1,531,267)</u>	<u>(402,851)</u>	<u>(1,934,118)</u>	<u>-</u>
Cash flows from investing activities:				
Interest income	20,115	2,996	23,111	30,632
Net cash provided by investing activities	<u>20,115</u>	<u>2,996</u>	<u>23,111</u>	<u>30,632</u>
Net increase(decrease) in cash	501,324	(14,235)	487,089	1,031,564
Cash at beginning of year	6,090,520	940,534	7,031,054	13,356,206
Cash at end of year	<u>\$ 6,591,844</u>	<u>\$ 926,299</u>	<u>\$ 7,518,143</u>	<u>\$ 14,387,770</u>
Reconciliation of operating income to net cash used by operating activities:				
Operating income(loss)	\$ 864,878	\$ (22,531)	\$ 842,347	\$ 867,202
Adjustments to reconcile operating income to net cash provided(used) by operating activities:				
Depreciation expense	1,350,147	324,215	1,674,362	-
Changes in assets and liabilities:				
Decrease(increase) in accounts receivable	(130,342)	3,000	(127,342)	-
Decrease(increase) in prepaid expenses	205	390	595	-
Decrease(increase) in inventory	(20)	(21,089)	(21,109)	-
Increase(decrease) in accounts payable	(35,659)	785	(34,874)	133,250
Increase(decrease) in accrued liabilities	(16,065)	850	(15,215)	480
Increase(decrease) in due to other funds	2,714	-	2,714	-
Increase(decrease) in customer deposits	(23,382)	-	(23,382)	-
Net cash used by operating activities	<u>\$ 2,012,476</u>	<u>\$ 285,620</u>	<u>\$ 2,298,096</u>	<u>\$ 1,000,932</u>
Noncash investing, capital and financing activities:				
Increase in fair value of investments	-	-	-	-
Borrowing under capital lease	-	-	-	-
Contributions of capital assets from government	-	-	-	-
The notes to the financial statements are an integral part of this statement.				

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NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Florence, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City of Florence is a municipality operating under a Mayor/Council form of government. Legislative authority is vested in the six City Council members. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each blended component unit of the City has a June 30 year end. The component units discussed below are included in the City's reporting entity because of the significance of its operational and/or financial relationship with the City.

Included within the Reporting Entity:

City of Florence Municipal Properties Corporation

The City of Florence Municipal Properties Corporation was formed to act as an agent and to be instrumental in the financing of public improvements and projects of a capital nature for the City and for the particular purpose of acquiring real estate located within the City and constructing, acquiring and equipping thereon capital improvements, facilities, buildings, structures and related appurtenances. The Corporation finances these projects by the issuance of debt. These debt issues are secured by (1) first mortgage liens on the projects, and (2) lease and option agreements between the Corporation and the City, the construction agreements and pledged receipts. The lease and option agreements require the City to pay rental from specified revenues, on a yearly basis with the option to renew each year. If the City renews the lease from year-to-year, and pays the rentals for each year as stipulated, and when the Corporation has fully paid and retired all the bonds, the Corporation agrees it will convey the properties to the City free and clear.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to

meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, payroll fees, insurance license fees, occupational license fees and interest are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal year. All other revenue items are considered recorded as revenue when the funds have been received.

The government reports the following funds of the financial reporting entity:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The municipal aid road/LGEA fund is used to account for funds received from the state for road improvements and snow removal.

The infrastructure fund is used to account for a designated portion of payroll taxes, storm water fees and grants to be used for the annual repairs to the City road infrastructure and storm water lines.

The asset forfeiture fund accounts for all funds received from seized assets and purchases made with those funds.

The aquatic center fund is used to account for the operations of the City's pool facility.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City applies all GASB pronouncements and FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

The government reports the following proprietary funds:

The water and sewer fund accounts for the activities of the government's water and sewer sales and services to residential and commercial users.

The World of Golf fund is responsible for the operations of the golf course facility.

The City's only internal service fund is the self-insurance fund for the City's health and dental costs.

Assets, deferred outflows, liabilities and net assets or equity

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposits.
3. Banker's acceptance.
4. Commercial paper.
5. Bonds of other state or local governments.
6. Mutual funds.

Investments

In accordance with Government Accounting Standards Board Statement No. 31, investments held at June 30, 2014 are recorded at fair value based on quoted market prices.

Property Tax Receivable

Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately October 1 and are due and payable on December 31. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

A lien may be placed on the property on January 1. Total real property tax assessments were \$2,391,940,918 and tangible tax assessments were \$310,617,351.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets are reported in the governmental activities column of the government-wide statement of net assets. Capital assets used by the proprietary fund are reported in the business type activities column of the government-wide statement of net assets. The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for). Capital assets are defined by the City as assets with an initial, individual minimum cost of \$1,000 with a useful life in excess of two years. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class are as follows:

Buildings	30 years
Building Improvements	10-20 years
Public Domain Infrastructure	25-40 years
Vehicles	5-10 years
Office Equipment	3-10 years

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits based upon a retirement basis. There is a liability for unpaid accumulated sick leave since the government does have a policy to pay specified amounts when employees retire from service with the government. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payment of principle and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report as a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value if refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government only has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source-property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance Policies

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

Fund balance of the governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

In the fund financial statements, government funds report components of fund balance for amounts that are nonspendable, restricted, committed, assigned or unassigned:

Nonspendable fund balances arise when resources cannot be spent because of their form and because resources must be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the City is the Council. The Council can by adoption of an ordinance prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Assigned fund balances are those that are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. Council has authorized the finance director to assign fund balance through the financial policies and procedures established. Unlike commitments, assignments generally only exist temporarily. In other words an additional action of does not normally have to be taken for the removal of an assignment. Conversely, additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the general fund. The classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the government fund financial statements a flow assumption must be made about the order in which resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Revenues, Expenditures and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, governmental funds are classified as follows:

Governmental funds – by character	Current-further classified by function
	Debt service
	Capital outlay

Proprietary fund – by operating and non-operating

In the fund financial statements governmental funds report expenditures of financial resources. Proprietary funds report expenses related to use of economic resources.

Interfund Transactions

Interfund services provided/used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

Date of Management's Review

Subsequent events were evaluated through September 10, 2014, which is the date the financial statements were available for review.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE B-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. In accordance with City ordinance, prior to June 30, the Mayor submits to the Council, a proposed operating budget on a basis consistent with generally accepted accounting principles for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. By July 1, the budget is legally enacted through passage of an ordinance.
- C. The City Coordinator is required by Kentucky Revised Statutes to present a quarterly report to the Council explaining any variance from the approved budget.
- D. Appropriations continue in effect until a new budget is adopted.
- E. The Council may authorize supplemental appropriations during the year.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds except the capital projects fund, which is not budgeted. Expenditures may not legally exceed budgeted appropriations at the department level. Any revisions to the budget that would alter total revenues of any fund and expenditures of any department must be approved by the Council; however, with proper approval by the City Coordinator, budgetary transfers within departments can be made. The Council adopted two supplementary appropriation ordinances. All appropriations lapse at fiscal year end.

The City Council has adopted guidelines for maintaining a minimum general fund balance in the amount of 17% of budgeted operating expenditures and recurring transfers. In either case, unusual items such as one-time expenditures shall be excluded from the calculation. In addition, Council has adopted a resolution and established a stabilization fund balance. This fund balance may only be used for operations to pay for expenditures when the unreserved fund balance falls below the minimum fund balance of 17% of expenditures and recurring transfers. Each December 31st, Mayor and Council shall determine if any funds are to be transferred to increase the stabilization fund balance.

NOTE C-DEPOSITS AND INVESTMENTS

As of June 30, 2014, the City had the following investments:

	Fair Value	Weighted Average Maturity(Years)
Cash	\$ 1,921	-
Certificates of deposit	6,120,998	0.75
Government obligations	11,075,039	5.00
Total fair value	\$ 17,197,958	
Portfolio weighted average maturity		3.20

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Interest rate risk. In accordance with the City's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. State law limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments. The City's investment policy limits its authorized investment instruments in these investments to one of the top three highest rated categories by a nationally rated agency. As of June 30, 2014, the City's investment in government was rated Aaa by Moody's and AAAm by Standard & Poor's.

Concentration of credit risk. The City may not invest, at any one time, funds in any one of the above listed categories exceeding twenty percent of the total amount of funds invested on behalf of the City.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits will not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2014, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the City's behalf and the FDIC insurance.

Custodial credit risk – investments. For an investment, this is the risk, that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The policy permits investment in U.S. Treasury obligations and obligations backed by the full faith and credit of the United States and in the securities issued by certain associations and corporations established by the government of the United States. The City had custodial credit risk at June 30, 2014 in the amount of \$11,075,039 for its government obligations. The related securities totaling this amount are uninsured, unregistered and held by various Trust departments.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Adjustments/ Transfers	Retirements/ Deletions	Balance June 30, 2014
Governmental activities:					
Not being depreciated:					
Land	\$ 10,602,492	\$ -	\$ -	\$ -	\$ 10,602,492
Construction in progress	510,885	2,990,378	(3,041,877)	-	459,386
Subtotal	<u>11,113,377</u>	<u>2,990,378</u>	<u>(3,041,877)</u>	<u>-</u>	<u>11,061,878</u>
Other capital assets:					
Improvements	17,150,450	563,902	138,094	-	17,852,446
Infrastructure	105,922,804	1,366,542	-	(861,767)	106,427,579
Buildings	20,430,757	-	2,908,098	-	23,338,855
Machinery and equipment	4,074,306	466,832	(135,534)	(207,370)	4,198,234
Vehicles	6,332,325	420,705	(2,974)	(606,017)	6,144,039
Subtotal	<u>153,910,642</u>	<u>2,817,981</u>	<u>2,907,684</u>	<u>(1,675,154)</u>	<u>157,961,153</u>
Accumulated depreciation:					
Improvements	6,331,272	945,172	46,798	-	7,323,242
Infrastructure	62,626,153	2,188,093	-	(861,767)	63,952,479
Buildings	7,837,315	701,836	-	-	8,539,151
Machinery and equipment	2,721,477	420,222	(43,439)	(209,827)	2,888,433
Vehicles	4,996,302	594,263	(9,868)	(587,821)	4,992,876
Subtotal	<u>84,512,519</u>	<u>4,849,586</u>	<u>(6,509)</u>	<u>(1,659,415)</u>	<u>87,696,181</u>
Net other assets	<u>69,398,123</u>	<u>(2,031,605)</u>	<u>2,914,193</u>	<u>(15,739)</u>	<u>70,264,972</u>
Net capital assets	<u>\$ 80,511,500</u>	<u>\$ 958,773</u>	<u>\$ (127,684)</u>	<u>\$ (15,739)</u>	<u>\$ 81,326,850</u>

*Depreciation was charged to functions as follows:

Governmental activities:	
Administration	\$ 1,874,078
Police	254,023
Fire	300,930
Public services	2,420,556
Total governmental activities depreciation expense	<u>\$ 4,849,587</u>

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

The following is a summary of changes in the capital assets in the proprietary funds:

	Balance June 30, 2013	Additions	Adjustment/ Transfers	Deletions	Balance June 30, 2014
Proprietary activities:					
Not being depreciated:					
Land	\$ 4,785,542	\$ -	\$ -	\$ -	\$ 4,785,542
Construction in progress	-	-	-	-	-
Subtotal	<u>4,785,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,785,542</u>
Other capital assets:					
Water and sewer system	42,133,077	1,241,842	(2,560)	(16,871)	43,355,488
Improvements	581,199	-	-	-	581,199
Buildings	4,200,497	-	-	-	4,200,497
Vehicles	995,412	24,674	2,974	(56,541)	966,519
Computer upgrade	56,396	-	-	-	56,396
Water meters	1,585,440	19,229	-	-	1,604,669
Machinery and equipment	<u>1,890,644</u>	<u>16,821</u>	<u>-</u>	<u>-</u>	<u>1,907,465</u>
Subtotal	<u>51,442,665</u>	<u>1,302,566</u>	<u>414</u>	<u>(73,412)</u>	<u>52,672,233</u>
Accumulated depreciation:					
Water and sewer system	22,135,661	1,080,579	(2,972)	(16,871)	23,196,397
Improvements	253,315	68,245	-	-	321,560
Buildings	615,378	135,845	-	-	751,223
Vehicles	780,638	76,129	17,976	(56,541)	818,202
Computer upgrade	56,396	-	-	-	56,396
Water meters	613,831	132,360	-	-	746,191
Machinery and equipment	<u>1,253,949</u>	<u>181,204</u>	<u>-</u>	<u>(954)</u>	<u>1,434,199</u>
Subtotal	<u>25,709,168</u>	<u>1,674,362</u>	<u>15,004</u>	<u>(74,366)</u>	<u>27,324,168</u>
Net other assets	<u>25,733,497</u>	<u>(371,796)</u>	<u>(14,590)</u>	<u>954</u>	<u>25,348,065</u>
Net assets	<u>\$ 30,519,039</u>	<u>\$ (371,796)</u>	<u>\$ (14,590)</u>	<u>\$ 954</u>	<u>\$ 30,133,607</u>

*Depreciation was charged to functions as follows:

Proprietary activities:	
Water and sewer	\$ 1,350,147
Golf Course	<u>324,215</u>
Total proprietary activities depreciation expense	<u>\$ 1,674,362</u>

NOTE E-LONG-TERM DEBT

Leases Payable

Operating Lease

The City leases copier and printing equipment under a noncancelable operating lease. Total costs for this lease was \$29,912 for the year ended June 30, 2014. The future minimum lease payments for this lease are as follows:

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Year Ended June 30	Amount
2015	\$ 29,912
2016	22,434
2017	-
2018	-
2019	-
Totals	\$ <u>52,346</u>

Bonds Payable

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2014, are as follows:

Aquatic center and skate park projects(Series 2010)	2.00-3.875%	\$ 6,030,000
Land-Series 2003A	1.60-4.85%	90,000
Land-Series 2011 refunding	2.00-3.375%	3,015,000
Land-Series 2012 refunding	2.00-3.80%	2,450,000
General obligation refunding bonds(Series 2005A)	3.50-4.125%	6,445,000
Public project refunding bonds(Series 2008B)	3.20-4.00%	<u>1,725,000</u>
		\$ <u>19,755,000</u>
Proprietary Fund Debt		
Water	2.50-4.20%	\$ 180,000
Water and Sewer System	1.45-2.50%	2,050,000
Golf Course	4.375%	<u>1,070,000</u>
		\$ <u>3,300,000</u>

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

The following is a schedule of future debt service requirements to maturity at June 30, 2014 for bonds general activities and for business activities.

The City's general long-term debt service requirements to maturity at June 30, 2014, are as follows:

Fiscal Year June 30,	2010 GO Bonds		2011 GO Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 250,000	\$ 184,169	\$ 35,000	\$ 79,706
2016	250,000	179,169	130,000	78,056
2017	255,000	174,119	130,000	75,456
2018	260,000	168,968	130,000	72,856
2019	265,000	163,388	135,000	70,006
2020-2024	1,460,000	698,326	715,000	308,406
2025-2029	1,685,000	464,463	805,000	212,632
2030-2034	1,605,000	112,552	935,000	79,842

Total Debt Service	\$ 6,030,000	\$ 2,145,154	\$ 3,015,000	\$ 976,960
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Fiscal Year June 30,	2003A GO Bonds		2012 GO Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 90,000	\$ 1,755	\$ 100,000	\$ 74,045
2016	-	-	100,000	72,045
2017	-	-	100,000	70,045
2018	-	-	95,000	68,095
2019	-	-	100,000	66,145
2020-2024	-	-	545,000	287,963
2025-2029	-	-	640,000	195,740
2030-2034	-	-	770,000	75,080

Total Debt Service	\$ 90,000	\$ 1,755	\$ 2,450,000	\$ 909,158
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Fiscal Year June 30,	2005A GO Bonds		2008B GO Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 395,000	\$ 256,107	\$ 95,000	\$ 62,895
2016	405,000	241,789	100,000	59,855
2017	420,000	227,006	105,000	56,655
2018	435,000	211,256	105,000	53,295
2019	455,000	194,726	110,000	69,935
2020-2024	2,545,000	688,452	615,000	168,220
2025-2028	1,790,000	149,736	595,000	60,800

Total Debt Service	\$ 6,445,000	\$ 1,969,072	\$ 1,725,000	\$ 531,655
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CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

The City's proprietary fund debt service requirements to maturity at June 30, 2014 are as follows:

Fiscal Year June 30,	2003 Water System		2008A Golf Course	
	Principal	Interest	Principal	Interest
2015	\$ 180,000	\$ 3,060	\$ 340,000	\$ 46,812
2016	-	-	350,000	31,938
2017	-	-	380,000	16,624
2018	-	-	-	-
2019	-	-	-	-
Total Debt Service	<u>\$ 180,000</u>	<u>\$ 3,060</u>	<u>\$ 1,070,000</u>	<u>\$ 95,374</u>

Fiscal Year June 30,	2012 Water and Sewer System	
	Principal	Interest
2015	\$ 30,000	\$ 26,145
2016	210,000	33,405
2017	215,000	30,324
2018	220,000	27,170
2019	220,000	23,980
2020-2024	<u>1,155,000</u>	<u>66,580</u>
Total Debt Service	<u>\$ 2,050,000</u>	<u>\$ 207,604</u>

Advance Refundings

The City issued \$3,110,000 in general obligation bonds with interest rates ranging from 2.0% to 3.375%. The proceeds were used to partially advance refund \$2,700,000 of outstanding 2003A general obligation bonds from the year 2013 and on which had interest rates ranging from 3.55% to 4.85%. The net proceeds of \$3,001,150 (less a discount of \$46,650 and the payment of costs of issuance of \$59,000) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2003A bonds from 2013 on are considered defeased and the liability for those bonds have been removed.

The reacquisition price exceeded the net carrying amount of the old debt by \$301,150. This amount is being netted against the new debt and amortized over the remaining life of the new debt. The City advance refunded the 2003A general obligation bonds to reduce its total debt service over 23 years by \$370,362 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$264,738.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Conduit Debt

The City has issued General Obligation Bonds to provide assistance to the Northern Kentucky Area Development District for the construction of a facility deemed to be in the public interest. The bonds are secured by the property financed. Upon repayment of the bonds ownership transfers to the entity served by the bond issuance. Neither the City, State, nor any political subdivision thereof, is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2014 the bonds outstanding were \$2,400,000.

Changes in Governmental-Type Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in liabilities reported in the general long-term debt:

	June 30, 2013	Additions	Retirements	June 30, 2014	Amounts Due Within One Year
Compensated absences	\$ 1,179,369	\$ 788,448	\$ (817,571)	\$ 1,150,246	\$ 800,000
Bonds payable:					
Series 2003A	175,000	-	(85,000)	90,000	90,000
Series 2003B	150,000	-	(150,000)	-	-
Series 2005A	6,820,000	-	(375,000)	6,445,000	395,000
Series 2008B	1,820,000	-	(95,000)	1,725,000	95,000
Series 2010	6,275,000	-	(245,000)	6,030,000	250,000
Series 2011	3,050,000	-	(35,000)	3,015,000	35,000
Series 2012	2,485,000	-	(35,000)	2,450,000	100,000
Totals	<u>\$ 21,954,369</u>	<u>\$ 788,448</u>	<u>\$ (1,837,571)</u>	<u>\$ 20,905,246</u>	<u>\$ 1,765,000</u>

Compensated absences are liquidated by the general fund.

The government-wide statement of net assets includes \$1,765,000 of long-term liabilities due within one year for governmental activities and \$645,000 for business-type activities.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Changes in Business-Type Long-Term Liabilities

Long-term liability activity for business-type activities for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Retired	Balance June 30, 2014	Amounts Due Within One Year
Bonds payable-water/sewer	\$ 355,000	\$ -	\$ (175,000)	\$ 180,000	\$ 180,000
Bonds payable-water/sewer	2,075,000	-	(25,000)	2,050,000	30,000
Compensated absences	96,295	100,611	(94,412)	102,494	95,000
Bonds payable-golf course	1,395,000	-	(325,000)	1,070,000	340,000
	<u>\$ 3,921,295</u>	<u>\$ 100,611</u>	<u>\$ (619,412)</u>	<u>\$ 3,402,494</u>	<u>\$ 645,000</u>

NOTE F-CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE G-EMPLOYEE RETIREMENT SYSTEM

Employer Contributions

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements, which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Non-hazardous Contributions - For the year ended June 30, 2014, all plan members were required to contribute 5% of their annual creditable compensation. Any plan members that entered the retirement plan after August 31, 2008, are required to contribute an additional 1% of their annual creditable compensation for health insurance. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2014, participating employers contributed 18.89% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2014 was 18.89% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Contributions - For the year ended June 30, 2014, all plan members were required to contribute 8% of their annual creditable compensation. Any plan members that entered the retirement plan after August 31, 2008, are required to contribute an additional 1% of their annual creditable compensation for health insurance. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2014, participating employers contributed 35.70% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2014 was 35.70% of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed by the City for the current and previous two years are as follows:

<u>Year</u>	<u>Contribution</u>	<u>Contributed</u>
2014	\$ 3,240,087	100%
2013	\$ 3,357,501	100%
2012	\$ 3,242,238	100%

Medical Insurance Plan

The CERS provides post-retirement healthcare benefits to eligible members and dependents, under a cost-sharing multiple employer defined benefit plan. Medical benefits are offered to members who have retired from service or disability. The post-retirement healthcare is financed through member contributions and state appropriations.

NOTE H-DEFERRED COMPENSATION PLAN

Employees of the City of Florence may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Employees may also participate in a Section 401(k) adopted under the provisions of the Internal Revenue Code.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable financial emergency.

The deferred compensation plans are administered by ICMA and Kentucky Public Employees' Deferred Compensation Plan.

NOTE I-CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's Attorney, the resolution of these matters will not have a materially adverse effect on the financial condition of the government.

NOTE J-INTERFUND TRANSACTIONS

A summary of the interfund account balances is as follows:

Due from/to other Funds Receivable Funds(s)	Payable Fund(s)	Amount
General	Water and sewer	\$ 21,307
General	Health and dental	480
Infrastructure	General	(22,991)
Total		\$ (1,204)

Due from and due to other funds represent short-term accounts receivable and payable. The balances in these accounts are typically the result of time differences between the date that goods and services were provided and when payment occurred.

Transfers in/out	Amount
General	125,000
General	1,500,000
General	200,000
General	100,000
Total	\$ 1,925,000

During the year, transfers are used to move general fund resources to provide annual subsidy to the transit fund. For the year ended June 30, 2014, the City made the following annual transfers:

- 1) A transfer of \$125,000 was made from the general fund to the special revenue fund for annual funding amounts for snow removal.
- 2) A transfer of \$1,500,000 was made from the general fund to the infrastructure fund to provide funding for the initial infrastructure for a retail development on Mall Road..
- 3) A transfer of \$200,000 was made from the general fund to the aquatic center for the annual subsidy to support the recreation operations.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

- 4) A transfer of \$100,000 was made from the general fund to the golf course fund for the annual subsidy to support the recreation operations.

NOTE K-RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its department heads. All risk for general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City has established a Health and Dental Self-Insurance Fund. Employees participate in this program and certain other medical insurance programs offered by the City. Under this program, the first \$50,000 of a participant's medical claim are payable by the health and dental self-insurance fund. The City purchases insurance for claims in excess of coverage provided by the fund. The general fund participates in the program and makes payments to the health and dental fund based on estimates of the amount needed to pay current year claims. The claims liability of \$163,363 reported in the fund at June 30, 2014, is based upon the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the claims liability amount were:

	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claims Payments	June 30,
2011-2012	\$ 85,310	\$ 2,335,901	\$ 2,260,239	\$ 160,972
2012-2013	\$ 160,972	\$ 2,666,124	\$ 2,796,983	\$ 30,113
2013-2014	\$ 30,113	\$ 1,950,897	\$ 1,817,647	\$ 163,363

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2014, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE L – COMMITMENTS

At June 30, 2014, the City had the following commitments with respect to the following projects:

<u>Projects</u>	<u>Commitments</u>
US 42 Turn Lane	\$590,000
Mall Road Development	\$3,000,000

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REQUIRED SUPPLEMENTARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds except the capital projects fund, which is not budgeted. Expenditures may not legally exceed budgeted appropriations at the department level. Any revisions to the budget that would alter total revenues of any fund and expenditures of any department must be approved by the Council; however, with proper approval by the City Coordinator, budgetary transfers within departments can be made.

CITY OF FLORENCE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL-GENERAL FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 41,792,693	\$ 46,009,442	\$ 46,009,442	\$ -
Resources (inflows):				
Taxes:				
Property	7,000,000	7,000,000	7,112,868	112,868
Franchise	550,000	550,000	562,203	12,203
Bank deposit	185,000	185,000	209,289	24,289
Licenses and permits:				
Payroll license fees	12,500,000	12,500,000	12,829,330	329,330
Gross receipts license fees	1,900,000	1,900,000	2,098,956	198,956
Insurance	3,800,000	3,800,000	4,274,919	474,919
Other	95,000	95,000	89,153	(5,847)
Intergovernmental	530,000	803,350	1,030,027	226,677
Fines and forfeitures	214,000	214,000	197,803	(16,197)
Charges for services	3,752,000	3,752,000	3,452,188	(299,812)
Interest	100,000	100,000	492,161	392,161
Miscellaneous	80,000	80,000	120,386	40,386
Amounts available for appropriation	<u>72,498,693</u>	<u>76,988,792</u>	<u>78,478,725</u>	<u>1,489,933</u>
Charges to appropriations (outflows):				
Administration:				
Personnel	1,015,100	1,015,100	972,263	42,837
Contractual	947,000	947,000	799,402	147,598
Operating/Maintenance	432,000	432,000	381,200	50,800
Capital outlay	306,600	306,600	249,242	57,358
Total administration	<u>2,700,700</u>	<u>2,700,700</u>	<u>2,402,107</u>	<u>298,593</u>
Police:				
Personnel	6,800,500	6,800,500	6,667,169	133,331
Contractual	30,000	30,000	23,052	6,948
Operating/Maintenance	477,100	477,100	430,243	46,857
Capital outlay	303,755	332,397	316,620	15,777
Total police	<u>7,611,355</u>	<u>7,639,997</u>	<u>7,437,084</u>	<u>202,913</u>
Fire:				
Personnel	5,469,400	5,590,650	5,383,174	207,476
Contractual	201,000	201,000	158,803	42,197
Operating/Maintenance	465,000	497,000	478,984	18,016
Capital outlay	205,000	220,000	167,430	52,570
Total fire	<u>6,340,400</u>	<u>6,508,650</u>	<u>6,188,391</u>	<u>320,259</u>

(Continued)

CITY OF FLORENCE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL-GENERAL FUND

For the Year Ended June 30, 2014

(Continued)

Public services:				
Personnel	\$ 3,144,800	\$ 3,178,800	\$ 3,027,499	\$ 151,301
Contractual	418,000	447,000	430,595	16,405
Operating/Maintenance	1,120,500	1,130,500	1,077,391	53,109
Capital outlay	1,804,000	5,934,000	4,446,302	1,487,698
Total public services	<u>6,487,300</u>	<u>10,690,300</u>	<u>8,981,787</u>	<u>1,708,513</u>
Debt service:				
Principal	1,020,000	1,020,000	1,020,000	-
Interest	691,000	691,000	690,074	926
Total debt service	<u>1,711,000</u>	<u>1,711,000</u>	<u>1,710,074</u>	<u>926</u>
Other financing uses:				
Special revenue	325,000	1,825,000	1,825,000	-
Enterprise fund	100,000	100,000	100,000	-
Total other financing uses	<u>425,000</u>	<u>1,925,000</u>	<u>1,925,000</u>	<u>-</u>
Total charges to appropriations	25,275,755	31,175,647	28,644,443	2,531,204
Budgetary fund balance, June 30	<u>\$ 47,222,938</u>	<u>\$ 45,813,145</u>	<u>\$ 49,834,282</u>	<u>\$ 4,021,137</u>

**COMBINING AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES**

CITY OF FLORENCE, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Municipal Aid	Infrastructure	Asset Forfeiture	Aquatic Center	
ASSETS					
Cash and cash equivalents	\$ 853,713	\$ 4,666,585	\$ 410,230	\$ 1,476,450	\$ 7,406,978
Intergovernmental receivable	62,908	53,075	-	-	115,983
Due from other funds	-	22,991	-	-	22,991
Accounts receivable	-	14,180	-	4,885	19,065
Inventory	71,277	-	-	-	71,277
Total assets	\$ <u>987,898</u>	\$ <u>4,756,831</u>	\$ <u>410,230</u>	\$ <u>1,481,335</u>	\$ <u>7,636,294</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 20,630	\$ -	\$ -	\$ 36,814	\$ 57,444
Total liabilities	<u>20,630</u>	<u>-</u>	<u>-</u>	<u>36,814</u>	<u>57,444</u>
Fund balances:					
Nonspendable:					
Inventories	71,277	-	-	-	71,277
Assigned to:					
Special revenue fund	895,991	4,756,831	410,230	1,444,521	7,507,573
Total fund balances	<u>967,268</u>	<u>4,756,831</u>	<u>410,230</u>	<u>1,444,521</u>	<u>7,578,850</u>
Total liabilities and fund balances	\$ <u>987,898</u>	\$ <u>4,756,831</u>	\$ <u>410,230</u>	\$ <u>1,481,335</u>	\$ <u>7,636,294</u>

CITY OF FLORENCE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Municipal Aid	Infrastructure	Asset Forfeiture	Aquatic Center	
REVENUES					
Licenses and permits	\$ -	\$ 2,289,901	\$ -	\$ -	\$ 2,289,901
Intergovernmental	718,726	53,075	-	-	771,801
Charges for services	-	450,000	-	303,940	753,940
Uses of property	-	-	98,394	-	98,394
Interest	2,414	9,080	1,132	4,748	17,374
Miscellaneous	-	-	-	295	295
Total revenues	721,140	2,802,056	99,526	308,983	3,931,705
EXPENDITURES					
Current:					
Police	-	-	32,166	-	32,166
Public Services	549,428	1,551,621	-	688,095	2,789,144
Total expenditures	549,428	1,551,621	32,166	688,095	2,821,310
Excess (deficiency) of revenues over(under) expenditures	171,712	1,250,435	67,360	(379,112)	1,110,395
OTHER FINANCING SOURCES					
Transfers in	125,000	1,500,000	-	200,000	1,825,000
Total other financing sources	125,000	1,500,000	-	200,000	1,825,000
Net change in fund balances	296,712	2,750,435	67,360	(179,112)	2,935,395
Fund balances - beginning	670,556	2,006,396	342,870	1,623,633	4,643,455
Fund balances - ending	\$ 967,268	\$ 4,756,831	\$ 410,230	\$ 1,444,521	\$ 7,578,850

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL-MUNICIPAL AID FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 594,009	\$ 670,556	\$ 670,556	\$ -
Resources (inflows):				
Intergovernmental	535,000	535,000	718,726	183,726
Interest	2,200	2,200	2,414	214
Other financing sources:				
Transfer in	125,000	125,000	125,000	-
Amounts available for appropriation	1,256,209	1,332,756	1,516,696	183,940
Charges to appropriations (outflows):				
Current:				
Public services	555,200	735,200	549,428	185,772
Total	555,200	735,200	549,428	185,772
Budgetary fund balances, June 30	\$ 701,009	\$ 597,556	\$ 967,268	\$ 369,712

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL-INFRASTRUCTURE FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 849,000	\$ 2,006,396	\$ 2,006,396	\$ -
Resources (inflows):				
Licenses and permits	2,100,000	2,100,000	2,289,901	189,901
Intergovernmental revenue	-	-	53,075	-
Charges for services	450,000	450,000	450,000	-
Interest	1,500	1,500	9,080	7,580
Transfer in	-	1,500,000	1,500,000	-
Amounts available for appropriation	<u>3,400,500</u>	<u>6,057,896</u>	<u>6,308,452</u>	<u>250,556</u>
Charges to appropriations (outflows):				
Current:				
Public services	1,560,000	3,060,000	1,551,621	1,508,379
Total	<u>1,560,000</u>	<u>3,060,000</u>	<u>1,551,621</u>	<u>1,508,379</u>
Budgetary fund balances, June 30	\$ <u>1,840,500</u>	\$ <u>2,997,896</u>	\$ <u>4,756,831</u>	\$ <u>1,758,935</u>

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL-ASSET FORFEITURE FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 216,035	\$ 342,870	\$ 342,870	\$ -
Resources (inflows):				
Uses of property	25,000	25,000	98,394	73,394
Interest	900	900	1,132	232
Amounts available for appropriation	<u>241,935</u>	<u>368,770</u>	<u>442,396</u>	<u>73,626</u>
Charges to appropriations (outflows):				
Current:				
Police	<u>53,000</u>	<u>53,000</u>	<u>32,166</u>	<u>20,834</u>
Total	<u>53,000</u>	<u>53,000</u>	<u>32,166</u>	<u>20,834</u>
Budgetary fund balances, June 30	<u>\$ 188,935</u>	<u>\$ 315,770</u>	<u>\$ 410,230</u>	<u>\$ 94,460</u>

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL-AQUATIC CENTER FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 1,573,064	\$ 1,623,633	\$ 1,623,633	\$ -
Resources (inflows):				
Memberships	55,000	55,000	44,745	(10,255)
Daily Admissions	270,000	270,000	219,293	(50,707)
Programs	19,000	19,000	28,157	9,157
Concessions	15,000	15,000	10,943	(4,057)
Locker Rental	1,100	1,100	802	(298)
Interest	6,000	6,000	4,748	(1,252)
Miscellaneous	500	500	295	(205)
Other financing sources:				
Transfer in	200,000	200,000	200,000	-
Amounts available for appropriation	<u>2,139,664</u>	<u>2,190,233</u>	<u>2,132,616</u>	<u>(57,617)</u>
Charges to appropriations (outflows):				
Public services				
Management contract	380,000	380,000	370,000	10,000
Utilities	169,700	169,700	144,348	25,352
Repairs and maintenance	45,000	125,000	51,227	73,773
Supplies	1,000	1,000	1,145	(145)
Bank service charges	6,500	6,500	4,752	1,748
Miscellaneous	4,250	4,250	4,415	(165)
Capital	35,000	35,000	112,208	(77,208)
Total	<u>641,450</u>	<u>721,450</u>	<u>688,095</u>	<u>33,355</u>
Budgetary fund balances, June 30	<u>\$ 1,498,214</u>	<u>\$ 1,468,783</u>	<u>\$ 1,444,521</u>	<u>\$ (24,262)</u>

STATISTICAL SECTION

This part of the City of Florence's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

CONTENTS	PAGE
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	61
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	68
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	73
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	78
Operating Information These schedules contain certain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	80

CITY OF FLORENCE, KENTUCKY

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GOVERNMENTAL ACTIVITIES										
Invested in capital assets, net of related debt	\$ 69,125	\$ 69,947	\$ 69,825	\$ 69,163	\$ 48,629	\$ 47,198	\$ 53,100	\$ 59,316	\$ 59,736	\$ 61,572
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	13,218	15,061	18,543	28,011	35,364	42,903	46,679	53,466	63,305	70,967
Total governmental activities net assets	\$ 82,343	\$ 85,008	\$ 88,368	\$ 97,174	\$ 83,993	\$ 90,101	\$ 99,779	\$ 112,782	\$ 123,041	\$ 132,539
BUSINESS-TYPE ACTIVITIES										
Invested in capital assets, net of related debt	18,613	18,711	19,096	19,508	19,651	22,638	26,175	26,659	26,695	26,833
Restricted	265	463	266	469	473	265	479	248	248	248
Unrestricted	5,548	5,713	5,860	5,387	5,684	5,900	6,995	7,279	8,050	8,678
Total business-type activities net assets	\$ 24,426	\$ 24,887	\$ 25,222	\$ 25,364	\$ 25,808	\$ 28,803	\$ 33,649	\$ 34,186	\$ 34,993	\$ 35,759
PRIMARY GOVERNMENT										
Invested in capital assets, net of related debt	87,738	88,658	88,921	88,671	68,280	69,836	79,275	85,975	86,431	88,405
Restricted	265	463	266	469	473	265	479	248	248	248
Unrestricted	18,766	20,774	24,403	33,398	41,048	48,803	53,674	60,745	71,355	79,645
Total primary government net assets	\$ 106,769	\$ 109,895	\$ 113,590	\$ 122,538	\$ 109,801	\$ 118,904	\$ 133,428	\$ 146,968	\$ 158,034	\$ 168,298

CITY OF FLORENCE, KENTUCKY

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

Expenses	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Administration	\$ 4,204	\$ 3,051	\$ 3,315	\$ 3,150	\$ 3,405	\$ 3,423	\$ 3,249	\$ 3,298	\$ 4,034	\$ 3,417
Police	5,211	5,470	5,556	6,338	6,994	6,436	8,944	6,969	7,303	7,147
Fire	3,932	4,619	4,796	5,449	5,559	6,595	5,386	6,431	6,136	6,042
Public services	5,923	6,182	6,907	8,429	8,443	7,572	7,087	8,226	8,316	9,387
Parks and recreation	645	195	-	-	-	-	-	-	-	-
Economic development	454	353	517	412	908	-	-	-	-	-
Other agencies	791	800	830	813	-	-	-	-	-	-
Interest on long-term debt	1,916	1,228	1,133	1,211	1,101	1,089	1,426	1,497	755	709
Total governmental activities	23,076	21,898	23,054	25,802	26,410	25,115	26,092	26,421	26,544	26,702
Business-type activities:										
Water and sewer service	6,769	6,825	6,828	7,340	7,214	7,346	7,616	7,727	7,571	7,694
Golf course	1,021	942	855	905	860	784	920	1,303	1,312	1,355
Total business-type activities	7,790	7,767	7,683	8,245	8,074	8,130	8,536	9,030	8,883	9,049
Total primary government expense	\$ 30,866	\$ 29,665	\$ 30,737	\$ 34,047	\$ 34,484	\$ 33,245	\$ 34,628	\$ 35,451	\$ 35,427	\$ 35,751
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	\$ 610	\$ 560	\$ 582	\$ 668	\$ 691	\$ 939	\$ 877	\$ 857	\$ 784	\$ 790
Fire	2,028	2,181	2,344	2,504	2,758	2,586	2,754	2,658	2,791	2,540
Public services	397	820	834	1,068	1,088	1,065	1,094	1,102	999	1,051
Parks and recreation	429	-	-	-	-	-	-	-	-	-
Other activities	23	19	20	20	18	17	30	16	10	22
Operating grants and contributions	417	439	473	602	640	808	551	546	2,132	688
Capital grants and contributions	591	581	1,332	667	1,890	2,501	6,806	5,027	734	1,114
Total governmental activities program revenues	4,495	4,600	5,585	5,529	7,085	7,916	12,112	10,236	7,450	6,205
Business-type activities:										
Charges for services:										
Water and sewer service	6,751	6,920	6,642	7,120	7,106	7,586	8,084	8,179	8,361	8,466
Golf course	1,007	996	945	850	753	588	709	1,250	1,206	1,226
Capital grants and contributions	-	-	50	80	-	-	-	-	-	-
Total business-type activities program revenues	7,758	7,916	7,637	8,050	7,859	8,174	8,793	9,429	9,567	9,692
Total primary government program revenues	\$ 12,253	\$ 12,516	\$ 13,222	\$ 13,579	\$ 14,944	\$ 16,090	\$ 20,905	\$ 19,665	\$ 17,017	\$ 15,897
Net (expense)/revenue	\$ (18,581)	\$ (17,298)	\$ (17,469)	\$ (20,273)	\$ (19,325)	\$ (17,199)	\$ (13,980)	\$ (16,185)	\$ (19,094)	\$ (20,497)
Governmental activities:										
Business-type activities:	(32)	149	(46)	(195)	(215)	44	257	399	684	643
Total primary government, net expense	\$ (18,613)	\$ (17,149)	\$ (17,515)	\$ (20,468)	\$ (19,540)	\$ (17,155)	\$ (13,723)	\$ (15,786)	\$ (18,410)	\$ (19,854)

(continued)

CITY OF FLORENCE, KENTUCKY

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)
(amounts expressed in thousands)

(continued)

General Revenues and Other Changes

in Net Asset

Governmental activities:

Taxes:

Property taxes, levied for

general purposes

Public service taxes

Taxes, levied for bank deposits

Payroll license

Gross receipts license

Insurance premium

Other

Uses of property

Interest

Miscellaneous

Transfers

Total governmental activities

Business-type activities

Investment earnings

Capital contributions

Transfers

Total business-type activities

Total primary government

Change in net assets

Governmental activities

Business-type activities

Total primary government

Fiscal Year

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014

\$	4,961	\$	6,003	\$	6,085	\$	7,057	\$	7,258	\$	7,341	\$	7,194	\$	7,197	\$	6,999	\$	6,982
	502		614		515		562		544		579		555		521		521		562
	140		141		170		181		184		211		207		194		183		209
	7,594		7,748		7,931		13,114		13,115		13,373		14,077		14,912		14,872		15,119
	1,880		1,766		1,749		2,183		1,944		2,048		1,964		2,158		2,235		2,099
	2,970		2,683		2,897		4,150		4,050		3,659		3,579		3,751		4,098		4,275
	121		104		97		106		103		97		101		105		126		89
	112		110		218		176		373		45		89		40		116		98
	289		564		922		868		531		351		292		291		177		540
	1,657		330		310		227		4,331		132		144		120		125		121
	(119)		(100)		(65)		454		(500)		(4,529)		(4,545)		(100)		(100)		(100)
	20,107		19,963		20,829		29,078		31,933		23,307		23,657		29,189		29,352		29,994
	128		212		316		249		122		48		54		38		22		23
	-		-		-		-		-		1,773		3,745		-		-		-
	119		100		65		125		500		1,129		789		100		100		100
	247		312		381		374		622		2,950		4,588		138		122		123
	20,354		20,275		21,210		29,452		32,555		26,257		28,245		29,327		29,474		30,117

\$	1,526	\$	2,665	\$	3,360	\$	8,805	\$	12,608	\$	6,108	\$	9,677	\$	13,004	\$	10,258	\$	9,497
	215		461		335		179		407		2,994		4,845		537		806		766
	1,741		3,126		3,695		8,984		13,015		9,102		14,522		13,541		11,064		10,263

CITY OF FLORENCE, KENTUCKY
Governmental Activities Tax Revenues By Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Fiscal Year	Property Tax	Franchise Tax	Bank Deposit Tax	Payroll License Tax	Gross Receipts Tax	Insurance Premium Tax
2005	\$ 4,961,142	\$ 502,243	\$ 139,615	\$ 7,594,271	\$ 1,879,672	\$ 2,969,919
2006	6,002,673	613,920	140,671	7,748,070	1,765,618	2,683,571
2007	6,085,225	514,693	170,188	7,931,480	1,749,035	2,897,067
2008	7,057,274	561,658	180,793	13,114,397	2,182,703	4,150,090
2009	7,258,039	543,546	184,469	13,114,839	1,944,202	4,050,644
2010	7,357,458	578,970	211,568	13,373,239	2,047,911	3,658,788
2011	7,222,802	554,987	206,908	14,077,419	1,963,691	3,578,837
2012	6,980,878	521,460	193,658	14,912,330	2,157,586	3,751,078
2013	7,003,025	420,742	183,325	14,871,599	2,235,304	4,098,294
2014	7,112,868	562,203	209,289	15,119,231	2,098,956	4,274,919

CITY OF FLORENCE, KENTUCKY

Fund balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GENERAL FUND										
Reserved	\$ 418	\$ 521	\$ 496	\$ 551	\$ 434	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,709	7,728	8,127	15,802	19,235	-	-	-	-	-
Nonspendable	-	-	-	-	-	395	254	483	490	472
Committed to	-	-	-	-	-	5,500	6,500	7,000	7,000	7,000
Assigned to	-	-	-	-	-	8,505	6,440	3,290	3,590	-
Unassigned	-	-	-	-	-	17,506	21,743	29,320	34,929	42,362
Total general fund	\$ 7,127	\$ 8,249	\$ 8,623	\$ 16,353	\$ 19,669	\$ 31,906	\$ 34,937	\$ 40,093	\$ 46,009	\$ 49,834
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	\$ 43	\$ 55	\$ 57	\$ 46	\$ 101	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,172	1,351	6,750	7,531	10,486	-	-	-	-	-
Capital projects funds	3,028	3,398	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	63	63	68	71	71
Restricted	-	-	-	-	-	266	413	508	599	895
Assigned to	-	-	-	-	-	1,593	1,461	1,924	3,973	3,355
Unassigned	-	-	-	-	-	-	-	-	-	3,257
Total all other governmental funds	\$ 4,243	\$ 4,804	\$ 6,807	\$ 7,577	\$ 10,587	\$ 1,922	\$ 1,937	\$ 2,500	\$ 4,643	\$ 7,578

CITY OF FLORENCE, KENTUCKY
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
Taxes	\$ 5,553	\$ 6,571	\$ 6,997	\$ 7,817	\$ 7,927	\$ 8,148	\$ 7,985	\$ 7,696	\$ 7,707	\$ 7,884
Licenses and permits	12,565	12,301	12,675	19,553	19,212	19,177	19,721	20,926	21,332	21,582
Intergovernmental	1,008	1,020	1,805	1,269	2,530	3,308	7,357	5,573	2,866	1,802
Fines and forfeitures	143	134	157	241	219	278	253	264	247	198
Charges for services	3,344	3,425	3,623	4,020	4,336	4,329	4,503	4,399	4,363	4,206
Uses of property	112	110	218	176	373	45	89	40	116	98
Interest	271	496	748	708	458	351	292	229	177	509
Miscellaneous	1,657	410	475	136	109	132	144	120	85	121
Total revenues	24,653	24,467	26,698	33,920	35,164	35,768	40,344	39,247	36,893	36,400
EXPENDITURES										
Current:										
Administration	3,737	2,534	2,578	2,438	2,377	2,532	2,052	2,606	2,630	2,402
Police	5,394	5,708	6,073	6,595	7,289	7,326	7,166	7,125	7,506	7,469
Fire	4,425	4,893	5,638	5,464	5,615	6,915	5,725	6,242	6,042	6,188
Public services	5,016	5,697	6,517	7,533	8,200	8,781	15,749	15,073	9,844	11,771
Parks and recreation	865	292	-	-	-	-	-	-	-	-
Economic development	796	354	518	412	2,539	-	-	-	-	-
Other agencies	791	800	830	812	-	-	-	-	-	-
Capital outlay	302	58	-	-	-	-	-	-	-	-
Debt service:										
Principal	1,112	1,096	1,259	1,401	1,224	1,055	1,230	1,195	1,000	1,020
Interest	2,135	1,253	1,202	1,289	1,094	1,057	1,398	1,263	711	690
Cost of issuance	-	-	-	-	-	-	74	114	-	-
Total expenditures	24,573	22,685	24,615	25,944	28,338	27,666	33,394	33,618	27,733	29,540
Excess(deficiency) of revenues over(under) expenditures	80	1,782	2,083	7,976	6,826	8,102	6,950	5,629	9,160	6,860

(continued)

CITY OF FLORENCE, KENTUCKY
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
(amounts expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
OTHER FINANCING SOURCES(USES)										
Refunding bonds issued	9,070	-	-	2,255	-	-	6,720	5,640	-	-
Lease proceeds	-	-	360	-	-	-	-	-	-	-
Bond discount	-	-	-	-	-	-	-	(93)	-	-
Payment to refunded bond escrow agent	(8,190)	-	-	(2,185)	-	-	(6,080)	(5,020)	-	-
Transfers in	4,356	5,123	10,010	6,859	9,675	9,023	325	988	1,325	1,825
Transfers out	(4,475)	(5,223)	(10,075)	(6,405)	(10,175)	(13,552)	(4,870)	(1,425)	(2,425)	(1,925)
Total other financing sources and uses	761	(100)	295	524	(500)	(4,529)	(3,905)	90	(1,100)	(100)
Net change in fund balances	841	1,682	2,378	8,500	6,326	3,573	3,045	5,719	8,060	6,760

Debt service as a percentage of noncapital expenditures

15.00%	11.90%	12.95%	12.74%	15.47%	10.37%	11.40%	11.40%	11.40%	7.28%	7.76%
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(continued)

CITY OF FLORENCE, KENTUCKY

Governmental Activities Tax Revenues By Source

Last Ten Fiscal Years

**(modified accrual basis of accounting)
(amounts expressed in thousands)**

(continued)

<u>Fiscal Year</u>	<u>Property Tax</u>		<u>Franchise Tax</u>		<u>Bank Deposit Tax</u>		<u>Total</u>
2005	\$	4,961	\$	502	\$	140	\$ 5,603
2006		5,817		614		141	6,572
2007		6,312		515		170	6,997
2008		7,074		562		181	7,817
2009		7,199		543		184	7,926
2010		7,357		579		211	8,147
2011		7,223		555		207	7,985
2012		6,981		521		193	7,695
2013		7,003		521		183	7,707
2014		7,113		562		209	7,884

CITY OF FLORENCE, KENTUCKY

Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Real Property			Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Personal Property			
2005	\$ 731,789,280	\$ 1,070,193,910	\$ 250,457,191	\$ 35,700,000	\$ 2,016,740,381	2.25
2006	801,001,216	1,131,885,454	215,743,147	36,092,000	2,112,537,817	2.24
2007	873,986,533	1,208,132,976	246,316,002	42,012,600	2,286,422,911	2.38
2008	933,390,668	1,384,907,492	320,548,655	48,732,800	2,590,114,015	2.46
2009	994,782,905	1,429,745,754	333,536,812	54,133,600	2,703,931,871	2.53
2010	1,010,120,162	1,425,270,095	307,487,386	59,446,800	2,683,430,843	2.46
2011	1,023,395,608	1,396,265,937	279,984,247	62,715,700	2,636,930,092	2.46
2012	1,028,965,182	1,354,470,062	318,225,739	64,668,000	2,636,992,983	2.46
2013	1,142,856,422	1,292,878,730	303,628,112	67,354,000	2,672,009,264	2.46
2014	1,099,827,227	1,364,905,691	310,617,351	72,792,000	2,702,558,269	2.46

SOURCE: Boone County PVA

NOTE: Property in the city is reassessed every four years. The county assesses property at 100% of fair market value for all types of real and personal property. Tax rates are per \$1,000 assessed value.

CITY OF FLORENCE, KENTUCKY
Property Tax Rates (1)
Direct and Overlapping (2) Governments
Last Ten Fiscal Years

Fiscal Year	Direct Rates City of Florence		Overlapping Rates County				Total Direct and Overlapping Rates
	Florence	Hazardous	Boone County	Extension Services	Health	Library	
2005	\$ 1,790	\$ 0.450	\$ 0.950	\$ 0.170	\$ 0.200	\$ 0.870	\$ 4,430
2006	1,790	0.590	0.950	0.180	0.200	0.720	4,430
2007	1,800	0.660	0.990	0.190	0.200	0.720	4,560
2008	1,730	0.800	0.990	0.190	0.200	0.680	4,590
2009	1,820	0.640	1,020	0.160	0.190	0.500	4,330
2010	1,820	0.640	1,020	0.160	0.190	0.500	4,330
2011	1,820	0.640	1,020	0.160	0.190	0.500	4,330
2012	1,820	0.640	1,040	0.160	0.190	0.510	4,360
2013	1,820	0.640	1,050	0.180	0.190	0.520	4,400
2014	1,820	0.640	1,050	0.180	0.190	0.520	4,400

(1) Per \$1000 assessed valuation

(2) Overlapping rates are those of the county government that apply to property owners living in the City of Florence.

CITY OF FLORENCE, KENTUCKY

Principal Property Taxpayers

June 30, 2014

	2014			2005		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
<u>Taxpayer</u>						
General Growth	\$ 96,000,000	1	3.17%	\$ 76,000,000	1	3.57%
New Plan Property Holding	37,225,135	2	1.23%			
Turfway Park, LLC	21,900,000	3	0.72%	14,000,000	7	0.66%
Cabot Turfway Ridge 14 LLC	21,500,000	4	0.71%			
ZF Steering	21,094,614	5	0.70%			
IBM Credit Corp	19,715,658	6	0.65%			
Trellises Kentucky	18,060,000	7	0.60%	15,802,500	4	0.74%
Bluegrass RHP	18,000,000	8	0.59%			
Wal-Mart Real Estate	18,000,000	9	0.59%			
Meijer Stores	17,196,000	10	0.57%	15,800,000	5	0.74%
Beam Associates				12,499,000	8	0.59%
Ayres Development				35,477,100	2	1.67%
Corporex Key Partnership				15,912,000	3	0.75%
Turfway Crossing				15,000,000	6	0.70%
Shelbyville Inc.				12,000,000	9	0.56%
HK New Plans				11,612,000	10	0.55%
TOTAL	\$ <u>288,691,407</u>		<u>9.53%</u>	\$ <u>224,102,600</u>		<u>10.53%</u>

CITY OF FLORENCE, KENTUCKY
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Discounts	Percent of Current Taxes Collected	Collections in Subsequent Years	Total Collections to Date	
						Amount	Percentage of Collection
2005	\$ 5,009,338	\$ 4,991,729	\$ -	97%	\$ -	4,991,729	100%
2006	\$ 5,563,550	\$ 5,452,279	\$ -	97%	\$ -	5,452,279	98%
2007	\$ 6,354,149	\$ 6,182,681	\$ (102,692)	98%	\$ 170,495	6,353,176	100%
2008	\$ 7,246,063	\$ 7,125,485	\$ (117,326)	99%	\$ 115,590	7,241,075	100%
2009	\$ 7,463,379	\$ 7,280,815	\$ (117,795)	99%	\$ 147,295	7,428,110	100%
2010	\$ 7,401,426	\$ 7,209,530	\$ (125,730)	99%	\$ 185,723	7,395,253	100%
2011	\$ 7,244,508	\$ 7,193,319	\$ (125,186)	99%	\$ 35,275	7,228,594	100%
2012	\$ 7,190,106	\$ 7,015,187	\$ (115,734)	99%	\$ 160,567	7,175,754	100%
2013	\$ 7,094,090	\$ 7,042,131	\$ (121,914)	99%	\$ 26,035	7,068,166	100%
2014	\$ 7,180,243	\$ 7,110,763	\$ (125,342)	99%	\$ -	7,110,763	99%

CITY OF FLORENCE, KENTUCKY

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Type Activities				Business-Type Activities				Total		Debt per Population
	General		Public		Sewer Bonds	Water Bonds	Properties/GO Bonds	Capital Leases	Primary Government		
	Obligations Bonds	Properties Bonds	Capital Leases								
2005	\$ 24,910,000	\$ 2,740,000	\$ 895,470	\$ -	\$ 3,535,000	\$ 3,450,000	\$ 36,804	\$ 35,567,276	\$ 1,397		
2006	\$ 24,280,000	\$ 2,470,000	\$ 698,970	\$ -	\$ 3,395,000	\$ 3,230,000	\$ 83,270	\$ 34,157,242	\$ 1,304		
2007	\$ 23,640,000	\$ 2,185,000	\$ 724,598	\$ -	\$ 3,255,000	\$ 3,000,000	\$ 63,063	\$ 32,867,663	\$ 1,230		
2008	\$ 25,000,000	\$ -	\$ 218,630	\$ -	\$ 3,110,000	\$ 2,885,000	\$ 41,791	\$ 31,255,423	\$ 1,145		
2009	\$ 23,995,000	\$ -	\$ -	\$ -	\$ 2,960,000	\$ 2,580,000	\$ 24,534	\$ 29,559,536	\$ 1,065		
2010	\$ 22,940,000	\$ -	\$ -	\$ -	\$ 2,805,000	\$ 2,300,000	\$ -	\$ 28,045,000	\$ 988		
2011	\$ 22,350,000	\$ -	\$ -	\$ -	\$ 2,645,000	\$ 2,010,000	\$ -	\$ 27,005,000	\$ 902		
2012	\$ 21,775,000	\$ -	\$ -	\$ -	\$ 2,640,000	\$ 1,705,000	\$ -	\$ 26,120,000	\$ 846		
2013	\$ 20,775,000	\$ -	\$ -	\$ -	\$ 2,430,000	\$ 1,395,000	\$ -	\$ 24,600,000	\$ 791		
2014	\$ 19,755,000	\$ -	\$ -	\$ -	\$ 2,230,000	\$ 1,070,000	\$ -	\$ 23,055,000	\$ 742		

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 78 for personal income and population data.

(2) Public Properties Bonds

CITY OF FLORENCE, KENTUCKY
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligations Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value(1) of Property	Per Capita (2)
2005	\$ 24,910,000	\$ -	\$ 24,910,000	1.23%	979
2006	\$ 24,280,000	\$ -	\$ 24,280,000	1.15%	927
2007	\$ 23,640,000	\$ -	\$ 23,640,000	1.15%	885
2008	\$ 25,000,000	\$ -	\$ 25,000,000	0.96%	916
2009	\$ 26,575,000	\$ -	\$ 26,575,000	0.98%	958
2010	\$ 25,240,000	\$ -	\$ 25,240,000	0.94%	889
2011	\$ 24,360,000	\$ -	\$ 24,360,000	0.92%	813
2012	\$ 23,480,000	\$ -	\$ 23,480,000	0.89%	765
2013	\$ 22,170,000	\$ -	\$ 22,170,000	0.83%	713
2014	\$ 20,825,000	\$ -	\$ 20,825,000	0.77%	670

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value of Taxable Property on page 69 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on Page 78.

CITY OF FLORENCE, KENTUCKY**Direct and Overlapping Governmental Activities Debt**

June 30, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable(1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$ 45,415,085	26.40%	\$ 12,884,664
Subtotal, overlapping debt			12,884,664
City of Florence direct debt			19,755,000
Total direct and overlapping			\$ 32,639,664

Source: Kentucky Local Debt Report

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Florence. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

CITY OF FLORENCE, KENTUCKY

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 212,859	\$ 215,163	\$ 228,642	\$ 259,011	\$ 270,393	\$ 268,343	\$ 263,693	\$ 263,699	\$ 267,201	\$ 270,259
Total net debt applicable to limit	24,910	24,280	23,640	25,000	26,575	25,240	24,360	23,480	22,170	20,825
Legal debt margin	187,949	190,253	205,002	234,011	243,818	243,103	239,333	240,219	245,031	249,434
Total net debt applicable to the limit as a percentage of debt limit	11.70%	11.28%	10.34%	9.65%	9.83%	9.41%	9.24%	8.90%	8.30%	7.71%

Legal Debt Margin Calculation for Fiscal Year 2013

Taxable assessed value	\$ 2,702,588
Debt limit(10% for total taxable assessed value)	270,259
Debt applicable to limit:	
General obligation bonds	20,825
Less: amount set aside for repayment general obligation debt	-
Total net debt applicable to limit	20,825
Legal debt margin	\$ 249,434

Note: Under state finance law, the City of Florence's outstanding debt should not exceed 10 percent of assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF FLORENCE, KENTUCKY

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Sewer and Water Revenue Bonds						Coverage
	Sewer/Water Charges and Other	Less: Operating Expenses	Net		Debt Service		
			Available Revenue		Principal	Interest	
2005	\$ 6,122,206	\$ 5,668,050	\$ 454,156	\$	135,000	\$ 118,580	179%
2006	6,294,875	5,687,170	607,705		140,000	119,648	234%
2007	6,440,730	5,694,721	746,009		140,000	116,147	291%
2008	7,120,380	6,088,773	1,031,607		150,000	112,585	393%
2009	7,106,429	5,915,803	1,190,626		150,000	108,898	460%
2010	7,586,055	7,227,255	358,800		155,000	103,029	139%
2011	8,083,907	7,502,580	581,327		160,000	101,943	222%
2012	8,179,081	7,635,066	544,015		165,000	96,112	208%
2013	8,361,515	7,493,012	868,503		210,000	38,499	349%
2014	8,466,355	7,601,386	864,969		200,000	44,508	354%

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

CITY OF FLORENCE, KENTUCKY
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Median Income (2)	Median Age (2)	Unemployment Rate (3)
2005	25,443 \$	933,732,657 \$	36,699	34.7	4.6%
2006	26,188 \$	1,034,033,180 \$	39,485	33.1	4.0%
2007	26,710 \$	1,053,762,920 \$	39,452	33.1	4.5%
2008	27,281 \$	1,122,558,588 \$	41,148	34.1	5.4%
2009	27,745 \$	1,183,712,680 \$	42,664	34.2	9.7%
2010	28,381 \$	1,374,860,783 \$	48,443	34.9	9.7%
2011	29,951 \$	1,474,907,044 \$	49,244	35.7	9.1%
2012	30,687 \$	1,522,228,635 \$	49,605	35.2	7.1%
2013	31,088 \$	N/A	N/A	N/A	6.9%
2014	31,088 \$	N/A	N/A	N/A	5.6%

(1) Census Bureau and Kentucky State Data Center

(2) Tri-County Economic Development Corporation

(3) Bureau of Labor Statistics Data and Kentucky State Data Center

CITY OF FLORENCE, KENTUCKY

Principal Employers

Current Year and Nine Years Ago

Taxpayer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Boone County Board of Education	2,400	1	19.50%	N/A	1	0.00%
Schwan's Food Mfg.	1,100	2	8.94%	N/A	2	0.00%
St. Elizabeth Hospital	1,050	3	8.54%	N/A	3	0.00%
ZF Groups of Companies	682	4	5.54%	N/A	4	0.00%
ArvinMeritor, Inc.	490	5	3.98%	N/A	5	0.00%
Staples Direct	400	6	3.25%	N/A	6	0.00%
KECO Industries	360	7	2.93%	N/A	7	0.00%
Mubea	300	8	2.44%	N/A	8	0.00%
Loreal	300	9	2.44%	N/A	9	0.00%
City of Florence	204	10	1.63%	N/A	10	0.00%
TOTAL	7,286		51.38%			-

Source: Tri-County Economic Development Corporation

Note: Information not available for all ten years due to the City not proving this schedule until FY 2006.

CITY OF FLORENCE, KENTUCKY

Full-time Equivalent Government Employees by Function

Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration:										
Mayor's office	3	4	4	4	4	4	4	4	4	4
Finance	10	10	9	10	10	10	10	10	10	10
Human resources	3	2	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Information technology	2	3	3	4	N/A	N/A	N/A	N/A	N/A	N/A
Public services:										
Professional	18	19	19	19	19	19	19	19	19	19
Maintenance	21	19	21	21	21	21	21	21	21	21
Police:										
Sworn	53	54	58	61	61	61	61	61	61	61
Civilian	4	4	4	4	4	4	4	4	4	4
Fire:										
Sworn	38	50	50	51	51	51	51	51	51	57
Civilian	1	1	1	1	1	1	1	1	1	1
Parks and recreation:	1	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water and sewer administration	2	2	2	2	2	2	2	2	2	2
Water	11	11	11	11	11	11	11	11	11	11
Sewer	12	12	12	12	12	12	12	12	12	12

Source: Finance department.

CITY OF FLORENCE, KENTUCKY

Operating Indicators by Function Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police:										
Physical arrests	1,053	1,699	1,569	2,213	1,870	2,617	2,431	2,542	2,571	2,563
Traffic violations	6,163	6,304	6,204	11,471	7,770	6,729	6,385	4,664	4,487	7,790
Parking violations	438	341	352	450	391	307	513	224	120	162
Fire:										
Number of calls answered:										
Fire	2,030	2,186	2,215	2,498	2,641	2,381	2,486	2,367	2,416	2,511
Ambulance	4,177	4,827	5,249	5,682	5,703	5,772	6,091	6,364	6,380	6,283
Inspections	856	1,928	1,752	1,549	1,657	2,032	2,255	1,945	2,005	2,186
Highways and streets:										
Street resurfacing(lane miles)	2.80	2.60	4.76	5.13	6.60	7.05	7.62	8.44	9.11	9.11
Water:										
New connections	226	216	135	100	53	45	45	50	42	27
Water main breaks	82	78	38	78	61	24	55	37	62	31
Average daily consumption (thousands of gallons)	2,926	2,856	2,909	3,229	2,969	2,839	3,055	3,090	3,035	3,021

Source: Various city departments

CITY OF FLORENCE, KENTUCKY

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	34	34	34	34	34	34	34	34	34	34
Fire:										
Fire stations	3	3	3	3	3	3	3	3	3	4
Highways and streets:										
Streets(miles)	143	144	159	159	159	160	168	168	169	169
Streetlights	1,582	1,589	1,597	1,134	1,134	1,134	1,977	1,977	2,103	2,103
Culture and recreation:										
Parks	9	9	9	9	9	9	9	9	9	9
Parks acreage	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5
Swimming pools	1	1	1	1	1	1	1	1	1	1
Ball fields	2	2	2	2	2	2	2	2	2	2
Tennis courts	4	4	4	4	4	4	4	4	4	4
Water:										
Water mains	124	125	126	132	135	200	145	145	149	150
Fire hydrants	1,271	1,289	1,302	1,062	1,122	1,259	1,520	1,520	1,583	1,598
Maximum daily capacity (thousands of gallons)	4,714	4,751	3,944	4,791	4,805	4,000	4,550	4,810	4,809	4,595
Sewer:										
Contained sanitary/storm sewers (miles)	264	268	271	231	241	278	286	286	278	276

Source: Various city departments



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

**Honorable Diane E. Whalen, Mayor
Members of City Council
City of Florence, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Florence, Kentucky as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Florence, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Florence, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Florence, Kentucky's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Florence, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RANKIN, RANKIN & COMPANY

A handwritten signature in cursive script that reads "Rankin, Rankin & Company".

**Ft. Wright, Kentucky
September 12, 2014**